

Press Release

Ardhinusa Drilling Private Limited

April 11, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 12.00 crore bank facilities of Ardhinusa Drilling Private Limited. The outlook is '**Stable**'.

ADPL was incorporated in 2012, is a Ahmedabad based company promoted by Mr. Pradeep Tolani and Ms. Rupaben Tolani. ADPL is engaged in execution of civil engineering and turnkey projects. Major customers of ADPL are IOCL Gujarat, Gujarat Gas Limited, Jaihind Projects Ltd. among others.

Key Rating Drivers

Strengths

- Experienced management:**

Mr. Pradeep Tolani and Ms. Rupaben Tolani, promoters have around two decades of experience in the infrastructure industry.

- Strong order book position:**

ADPL has a strong order book position with unexecuted orders in hand of Rs.80.00 crore as on March 07, 2017 which the company is going to execute in a span of 11 - 12 months.

Weaknesses

- Moderate scale of operations amidst tender based nature of business:**

ADPL operations are of moderate scale and registered an operating income growth at a CAGR of 21.56 percent for the period under study from FY2014-16 on account of increase in order book value. Operating income stood at Rs.32.22 crore in FY2016 as compared to Rs.17.65 crore in FY2015. For 10MFY2017 Provisionals, operating income stood at Rs.28.00 crore. , the business of the company is highly dependent on the firm's ability to successfully bid for the contracts. However, the promoters' experience and relationship partially mitigates this risk.

- Declining Operating margins:**

ADPL's EBIDTA margins stood at 7.76 percent in FY2016 as compared to 10.84 percent in FY2015. PAT margins stood at 2.80 percent in FY2016 as compared to 5.69 percent in FY2015. The decline in operating margins is on account of increase in raw material and employee cost as a percentage of sales.

- Moderate Working Capital Operations:**

ADPL's working capital operations are moderate in nature as seen from the gross current assets (GCAs) of 45 days. However, creditor days are stretched and stood at 238 days as on 31 March 2016. Further, company's liquidity profile is stretched as it fully utilises its working capital limits.

• Moderate financial risk profile:

ADPL's financial risk profile is moderate marked by low net worth of Rs.2.41 crore as on 31 March 2016. Gearing stood at 1.68 times as on 31 March 2016 as compared to 4.17 times as on 31 March 2015. ICR stood at 3.85 times for FY2016 as compared to 6.06 times for FY2015.

• Competitive and fragmented industry:

The Company is engaged as a contractor in infrastructure industry. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of biding of contracts. However, this risk is mitigated to an extent as management operating in this environment for 2 decades.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of Ardhinusa Drilling Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes ADPL will maintain a stable business risk profile over the medium term. The concern will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the concern registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

For FY2015-16, the company registered profit after tax (PAT) of Rs.90 crore on operating income of Rs.32.22 crore as against net profit after tax of Rs.1.01 crore on operating income of Rs.17.65 crore in the previous year. The net worth stood at Rs.2.41 crore as on 31 March 2016 as compared to Rs.1.50 crore as on 31 March 2015.

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B+ / Stable

Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4

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