

Press Release

Archon Powerinfra India Private Limited

November 14, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 6.00 crore bank facilities of Archon Powerinfra India Private Limited. The outlook is '**Stable**'.

Archon Powerinfra India Pvt. Ltd. (previously known as SKP Buildcon Private Limited) based Ahmedabad, Gujarat was incorporated in 2010. The company is engaged in engineering, construction and industrial construction for various government departments and companies. The company is promoted by Mr. Kapil Sharma and family who are in same business since more than a decade.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of APIPL for arriving at the rating.

Key Rating Drivers

Strengths

- **Experienced promoters**

The key promoter Mr. Kapil Sharma associated with company since inception and has over a decade experience in executing infrastructure and industrial projects for various state government departments, government and private entities. The extensive experience of promoters has helped company in successful bidding of government tenders and assured regular flow of work orders.

- **Reputed clientele and Moderate order book position**

APIPL is engaged in providing engineering and construction services for various government departments and reputed companies like NBCC Limited, NHPC Limited, Indian Oil and Hindustan Petroleum Limited. The total order book of company stood at Rs.109.60 crores since 2015 and Rs. 49.72 crores worth order is pending execution. This provides revenue visibility over medium term.

Weaknesses

- **Working capital intensive operations**

The operations of the company are working capital intensive in nature marked by high Gross current asset (GCA) days of 278 for FY2018 and 156 days for FY2017. The high GCA days is marked by elongation of debtor days to 145 days in FY2018 as compared to 90 days in FY2017. The working capital limit utilization stood moderate at 57.56 percent for last six month ending September 2018.

- **Competitive and fragmented industry**

The company operates in the civil construction and infrastructure industry which is marked by intense competition from several mid to big sized players. The operations of the company are tender based in nature impacting the revenue. However, the risk is mitigated to an extent as the management has been in the business for over a decade.

Outlook: Stable

Acuité believes outlook for APIPL will remain 'Stable' benefiting from its promoters' extensive experience in Infrastructure sector. The outlook may be revised to 'Positive' in case of higher than the expected scale of operations while improving working capital cycle and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or stretch in working capital cycle weakening the financial risk profile, particularly liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	29.96	33.07	31.66
EBITDA	Rs. Cr.	2.54	2.31	1.89
PAT	Rs. Cr.	1.26	0.85	0.81
EBITDA Margin	(%)	8.47	6.98	5.96
PAT Margin	(%)	4.22	2.56	2.57
ROCE	(%)	22.32	34.14	51.52
Total Debt/Tangible Net Worth	Times	2.37	1.50	1.75
PBDIT/Interest	Times	3.10	3.12	5.38
Total Debt/PBDIT	Times	3.88	1.95	1.62
Gross Current Assets (Days)	Days	278	156	114

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

Crisil vide its press release dated May 23, 2018 has put SKP Buildcon Private Limited Issuer not cooperating, based on best-available information; Ratings migrated to 'CRISIL B+/Stable/CRISIL A4 Issuer not cooperating'.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	1.50	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4

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About Acuité Ratings & Research:

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