

Press Release

Apurvakriti Infrastructure Private Limited

January 30, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.25.00 Cr.
Long Term Rating	ACUITE BB+ / Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.25.00 crore bank facilities of APURVAKRITI INFRASTRUCTURE PRIVATE LIMITED (AIPL). The outlook is '**Stable**'.

Delhi based Apurvakriti Infrastructure Private Limited was incorporated in 2008 by Mr. Shamlal Mittal (Managing Director). The company is engaged in construction of metro rail tracks and job works related to development of infrastructure such as construction of drainage coverings, flyovers, residential buildings and few others for both Government undertakings and private companies.

Analytical Approach

Acuite has considered standalone business and financial risk profile of AIPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

Delhi based Apurvakriti Infrastructure Private Limited is engaged in construction of metro rail tracks and job works related to development of infrastructure such as construction of drainage coverings, flyovers, residential buildings and few others for both Government undertakings and private companies. The company was incorporated in the year 2008 by Mr. Shamlal Mittal who is the managing director of the company having an experience of more than two decades in the said industry. Acuite believes that AIPL's long track record of operations is expected to support in winning bidding nature of Government business and sub contracts from its customers.

• Moderate financial risk profile and profitability margins

AIPL's financial risk profile is comfortable marked by moderate net worth, healthy gearing and comfortable total outside liabilities to tangible net worth (TOL/TNW) and healthy debt protection metrics. AIPL's net worth is moderate at Rs.13.67 crore as on March 31, 2019 as compared to Rs.11.06 crore as on March 31, 2018. Gearing stood at 0.52 times as on March 31, 2019. TOL/TNW is comfortable at 1.81 times as on March 31, 2019. Its debt protection metrics are healthy marked by interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) at 4.47 times and 0.40 times in FY2019. AIPL reported cash accruals of Rs.2.85 against repayment obligation of Rs.0.12 Crore in FY19. AIPL's cash accruals are estimated to remain around Rs.6.80 – 8.70 crores during 2020-22, while its repayment obligations are in the range of Rs.0.73 Crore which gives adequate comfort for the incremental working capital requirements.

The profitability margins of the company largely depend upon nature of contract executed and stood moderate during the review period. The operating margin of the company stood at 9.72 per cent in FY19 as against 8.19 per cent in FY18. Further, the PAT margin stood at 5.55 per cent in FY19 as against 5.54 per cent in FY18. Acuite believes that with expected improvement in revenues and growth in profitability owing to which the financial risk profile is also expected to improve further over the medium term.

Weaknesses

- **Working capital intensive operations**

AIPL's operations are working capital intensive marked by Gross Current Assets (GCA) of 200 days as on March 31, 2019 as against 150 days as on March 31, 2018, on account of stretch in receivables. Receivable days has increased to 74 days for FY19 as against 49 days for FY18. However, the same is supported by back to back stretch in creditors. However, Acuité believes with increasing scale of operations, any further deterioration in working capital thereby leading to higher dependence on external bank borrowings will entail a negative bias towards the rating.

- **Highly competitive and fragmented industry with tender based nature of business**

AIPL operates in highly competitive and fragmented industry with presence of several players and tender nature of business. Winning of the contracts in tender-based model is subject to various parameters including importance of the project for the principal to ensure timely and regular payments. Also, it enjoys the operational advantage and timely completion of the projects leading to securing business from its customers regularly. The company also undertakes contracts of public sector undertakings which are awarded through the tender based system. This exposes the company towards risk associated with the tender-based business, which is characterized by intense competition. Any event such as a significant slowdown in receipt of orders, deferment of projects by the counterparty or delay in realization of receivables from customers will have a bearing on the operating cash flows and credit profile of the firm.

Rating Sensitivity factors:

- Significant Improvement in revenues
- Any further deterioration in working capital

Material Covenants: None

Liquidity Position: Stretched

Liquidity of AIPL is stretched marked by high GCA days, moderate utilization of bank limits. AIPL's bank limits are moderately utilized and with higher order book expectation AIPL requires higher bank limits to support for the same. However, AIPL reported cash accruals of Rs.2.85 against repayment obligation of Rs.0.12 Crore in FY19. AIPL's cash accruals are estimated to remain around Rs.6.80 – 8.70 crores during 2020-22, while its repayment obligations are in the range of Rs.0.73 Crore which gives adequate comfort for the incremental working capital requirements. However, the GCA days stood at 200 days in FY2019. Acuité believes that though cash accruals are adequate, however, incremental working capital requirement for the growing size of operations are expected to absorb the cushion in the liquidity, though expected to continue at moderate levels.

Outlook: Stable

Acuité believes that AIPL will maintain a 'Stable' outlook over the medium term backed by its experienced management and adequate revenue visibility. The outlook may be revised to 'Positive' in case of significant improvement in its revenues, while maintaining the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management or fail to secure additional sanction of its non-fund based facilities leading to company failing in supporting order book and deteriorating liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	47.02	58.01
PAT	Rs. Cr.	2.61	3.21
PAT Margin	(%)	5.55	5.54
Total Debt/Tangible Net Worth	Times	0.30	0.22
PBDIT/Interest	Times	4.47	7.57

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

ICRA Ratings, vide its press release dated July 26, 2019 had denoted the rating of Apurvakriti Infrastructure Private Limited as 'ICRA BB- (Stable); ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'ICRA BB-/Stable' vide its press release dated October 17, 2016.

Any other information

None

Applicable Criteria

- Infrastructure Entities: <https://www.acuite.in/view-rating-criteria-14.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.htm>

Note on complexity levels of the rated instrument

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

*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	3.00	ACUITE BB+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+/Stable (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Assigned)

Contacts

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About Acuité Ratings & Research:

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