

Press Release

Alok Buildtech Private Limited

August 05, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs.37.50 Cr.
Long Term Rating	ACUITE BBB/Stable (Assigned)
Short Term Rating	ACUITE A3+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs.37.50 Cr bank facilities of Alok Buildtech Private Limited (ABPL). The outlook is '**Stable**'.

The rating on ABPL takes into account the sound business risk profile of the company marked by experienced management, improvement in profitability margins and healthy order book position buoyed by increasing public investments in infrastructure. The rating is also supported by the above average financial profile of the company. These strengths are however, partly offset by the working capital intensity of the business and geographical concentration in their operations.

About the company

Incorporated in 2016, Alok Buildtech Private Limited (ABPL) is a Chhattisgarh based company, promoted and currently headed by Mr. Alok Shivhare and his son, Mr. Apoorv Shivhare. The company is engaged in civil construction of roads and bridges. The company is registered as 'A5' class contractor and as a Special Class Contractor with the PWDs of Chhattisgarh. ABPL procures work contracts through tender and executes orders mainly for various departments of Public Work Department (PWD), National Highway Authority of India (NHAI), Chhattisgarh Road Development Corporation Limited (CGRDC) and more.

About the group company

Established in 1997, Alok Shivhare is a proprietorship firm managed by Mr. Alok Shivhare. The firm undertook civil construction contracts largely road and bridges construction mainly for PWD and NHAI in Chhattisgarh. 'M/s Alok Shivhare has been taken over by Alok Buildtech Private Limited with effective date April 17, 2017. The firm currently does not bid for any new orders but is yet to realise past amounts of security and earnest money deposits. The deposits are expected to be realised in the current financial year, post which the firm will cease to exist.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Alok Buildtech Private Limited (ABPL) and Alok Shivhare (AS). The consolidation is in view of common management, financial linkage between the entities and similar line of business. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

The promoter of ABPL, Mr. Alok Shivhare has a long operational track record spanning over two decades in the civil construction industry through his proprietorship concern M/s Alok Shivhare. Later in 2016, ABPL, a closely held company directed by the same management was incorporated and it took over the proprietorship concern in April, 2017. The company is currently managed by the promoter and his son Mr. Apoorv Shivhare, who has around five years of experience in construction industry. Acuité believes the long track record of operations and the management's expertise will benefit the company going forward resulting in steady growth in the scale of operations.

- Comfortable business risk profile with healthy order book**

ABPL reported revenue growth of around 50 per cent with operating income of Rs.137.21 Cr in FY2021 (Provisional) as against Rs.91.43 Cr in FY2020. This is majorly on account of continuous order flow and a large

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size tender for toll collection from NHAI. The group has achieved a revenue of Rs.50.80 Cr till 15th July, 2021 (Prov.).

The operating margins of the group has improved to 13.80 per cent in FY2021 (prov.) from 10.71 per cent in FY2020. The PAT margin improved to 7.47 per cent in FY2021 (prov.) from 5.16 per cent in FY2020. The margins improved on account of reduction in raw materials costs and other operating overheads. Also, toll tender was a high margin order as it entailed lower operational costs. The profitability margins have translated into healthy RoCE levels for the group at 34.73 per cent in FY2021 as against 21.46 per cent in FY2020.

The company currently executes orders for government entities including PWDs, NHAI and CGRDC. Orders amounting to Rs.367.22 Cr are expected to be completed in the next two-three years, thereby providing adequate revenue visibility over the medium term. Furthermore, ABPL secured toll collections contracts from NHAI in FY20 and FY21. Acuité believes that the sustainability of the healthy profitability margins will remain a key monitorable, going forward, even though the management is focusing on high margins tenders.

- **Above average financial risk profile**

The group's above average financial risk profile is marked by moderate networth, comfortable gearing and strong debt protection metrics. The tangible net worth of the group improved to Rs.39.70 Cr as on March 31, 2021 (provisional) from Rs.25.86 Cr as on March 31, 2020. Acuité has treated unsecured loans of Rs.7.87 Cr in FY21 as quasi equity as the management has undertaken to maintain this amount in the business over the medium term. Gearing of the group stood comfortable at 0.48 times as on March 31, 2021 (prov.) as against 0.47 times as on March 31, 2020. The debt of Rs.19.00 Cr mainly consists of working capital borrowing of Rs.9.10 Cr, term loan from bank of Rs.5.50 Cr, current portion of long term debt of Rs.4.18 Cr and unsecured loans from financial institutions of Rs.0.21 Cr as on March 31, 2021 (prov.). The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.99 times as on March 31, 2021 (prov.) as against 1.22 times as on March 31, 2020. The strong debt protection metrics of the group is marked by Interest Coverage Ratio at 6.01 times and Debt Service Coverage Ratio at 3.20 times as on March 31, 2021 (prov.). Net Cash Accruals/Total Debt (NCA/TD) stood at 0.66 times as on March 31, 2021 (prov.) as compared to 0.53 times as on 31st March, 2020. Acuité believes that going forward the financial risk profile of the group will improve backed by steady accruals and no major debt funded capex plans.

Weakness

- **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 145 days in FY2021 (provisional) as compared to 150 days in FY2020. The high GCA days are mainly on account of high amount of other current assets due to earnest money deposits & security deposits of Rs.3.23 Cr in FY21. The inventory period stood comfortable at 38 days as on March 31, 2021 (prov.) as compared to 43 days in the previous year. Further, the debtor period stood at 54 days as on March 31, 2021 (prov.) as compared to 31 days as on 31st March 2020. Going forward, Acuité believes that the working capital management of the group will remain at similar levels as evident from the inherent nature of the business and high amount of deposits over the medium term.

- **Geographical concentration**

The group, since inception has worked on contracts only in Chhattisgarh and their order book also consists of Chhattisgarh based work orders, thus reflecting high geographical concentration. However, the rating draws comfort from experienced management, long track record and healthy order book position thus partly mitigating the geographical concentration risk.

Rating Sensitivity

- Elongation in working capital cycle
- Sustainability in their growth in scale of operations while maintaining profitability margin
- Reduction in order flow

Material Covenant

None

Liquidity Profile: Adequate

The group's liquidity position is adequate marked by net cash accruals of Rs.12.59 Cr in FY2021 (provisional) as against a long term debt repayment of Rs.1.77 Cr over the same period. The unencumbered cash balance stood at Rs.2.94 Cr as on 31st March, 2021 (prov.) as compared to Rs.2.11 Cr as on 31st March, 2020. The current

ratio stood comfortable at 1.73 times as on 31st March, 2021 (provisional) as compared to 1.32 times as on 31st March, 2020. The cash and bank balances of the group stood at Rs.1.15 Cr in FY2021 (provisional) as compared to Rs.1.63 Cr in FY2020. However, the fund based limit remained utilised at 90 percent over the six months ended June, 2021. The group availed a Covid loan of Rs.4.5 Cr but no loan moratorium. The group's working capital intensive nature of operations is reflected from high Gross Current Assets (GCA) of 145 days in FY2021 (prov.) as compared to 150 days in FY2020. Acuité believes that going forward the liquidity position of the group will improve due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on ABPL will remain 'Stable' over the medium term on account of the long track record of operations, comfortable business and above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels while sustaining their financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or operating margins or further elongation in its working capital cycle.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	137.21	91.43
PAT	Rs. Cr.	10.24	4.72
PAT Margin	(%)	7.47	5.16
Total Debt/Tangible Net Worth	Times	0.48	0.47
PBDIT/Interest	Times	6.01	4.75

Status of non-cooperation with previous CRA

- CRISIL, vide its press release dated Mar 30, 2021 had denoted the rating of Alok Buildtech Private Limited as 'CRISIL BB+/Stable/A4+; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Indian Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB/Stable (Assigned)
Indian Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	27.50	ACUITE A3+ (Assigned)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Sonal Modi Analyst - Rating Operations Tel: 033-66201215 sonal.modi@acuite.in	

About Acuité Ratings & Research:

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