

## Press Release

Alok Buildtech Private Limited

May 18, 2023



### Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.00	ACUITE BBB-   Stable   Upgraded	-
Bank Loan Ratings	18.95	-	ACUITE A3   Assigned
Bank Loan Ratings	26.50	-	ACUITE A3   Upgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	<b>56.45</b>	<b>-</b>	<b>-</b>

### Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating to **ACUITE A3** (read as **ACUITE A three**) from **ACUITE A4+** (read as **A four plus**) on Rs.37.50 Cr bank facilities of Alok Buildtech Private Limited (ABPL). The outlook remains '**Stable**'.

Acuite has also assigned the short term rating of '**ACUITE A3** (read as **ACUITE A three**)' on the Rs.18.95 Cr bank facilities of Alok Buildtech Private Limited (ABPL).

#### Rationale for upgrading the rating

The rating reflects the sound business risk profile of the company marked by improvement in profitability margins, and above - average financial risk profile. It also factors the long track-record of operation, and experienced promoters in the Engineering, Procurement, and Construction (EPC) industry.

These strengths are partly offset by the working capital intensive nature of operations, geographical concentration risk in the order book, industrial cyclicalities, and susceptible operating margin to the volatile input prices.

#### 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 Public Work Departments (PWD) of Chhattisgarh. ABPL procures the work contracts through tenders and executes orders for various departments of Public Work Department, Chhattisgarh Rural Road Development Agency (CGRRDA), Pradhan Mantri Gram Sadak Yojana (PMGSY), etc.

#### Analytical Approach

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

## Key Rating Drivers

### Strengths

#### **Long track record of operations and experienced management:**

The promoters of ABPL are into civil construction business since 1997. Mr. Alok Shivhare has over two decades of experience in the industry, supported by Mr. Aproov Shivhare, the second generation director with five years of experience - supervising the daily operations. Acuité believes that the group shall continue to benefit from its experienced management and long track record of operations.

#### **Sound business risk profile supported by moderate order book position**

The operating revenue of the company increased to Rs.138.76 Cr in FY2022 from Rs.128.44 Cr in FY2021, due to better execution of the projects. Further, the company has registered a revenue of Rs. 163.84 Cr in FY2023 (Prov). The EBITDA margin of the company improved to 10.36 per cent in FY2022 as against 9.32 per cent in FY2021 for the improved project mix, and availability of adequate price escalation clause with the counter party. Further, the EBITDA margin improved to 12.54 per cent in FY2023 (Prov). The PAT margin stood at 4.46 per cent in FY2022 as against 4.13 per cent in FY2021.

Though the company's profitability is exposed to volatility in raw material prices as their prices are volatile in nature, it has an in-built price escalation clause for major raw materials (such as steel, cement, fuel and bitumen) in most of its contracts.

Moreover, the company has a moderate order book position with unexecuted orders in hand worth Rs.250.22 Cr as on February 28, 2023, which are to be executed in next 7-14 months, thereby providing stability in the revenue visibility for the medium term. In addition to this - the firm has bid Rs.56.85 Cr for the construction of roads which are in the L1 stage.

Acuité believes that the firm may continue to sustain its order book position and maintain its business risk profile over the medium term.

#### **Above average financial risk profile**

The company's healthy financial risk profile is marked by moderate network, low gearing and steady debt protection metrics. The tangible net worth of the company increased to Rs.28.14 Cr as on 31st March 2022 from Rs.21.74 Cr as on 31st March 2021 due to accretion of reserves. Gearing of the company stood below the unity at 0.91 times as on March 31, 2022 as compared to 1.06 times as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.78 times as on March 31, 2022 as compared to 1.96 times as on March 31, 2021.

The steady debt protection metrics of the company is marked by Interest Coverage Ratio of 5.28 times and Debt Service coverage ratio of 1.82 times as on 31st March 2022 as against 4.61 times and 2.32 times respectively as on March 31, 2021. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.38 times as on 31st March 2022 from 0.33 times as on March 31, 2021.

Acuité believes that going forward the financial risk profile of the company may be sustained on account of the steady accruals, and no major debt funded capex plans.

### Weaknesses

#### **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 159 days in FY2022 as compared to 139 days in FY2021. The high GCA days are mainly on account of high amount of other current assets due to Earnest Money Deposits. Further, the debtor period increased to 69 days as on March 31, 2022 as compared to 56 days as on 31st March 2021. However, the inventory period improved, and stood comfortable at 37 days as on March 31, 2022 as compared to 48 days as on March 31, 2021.

Acuité believes that the working capital operations of the company will remain almost at the same levels, evidently from the moderate collection mechanisms, and comfortable inventory levels over a medium term.

#### **High geographical concentration and exposure to risk inherent in tender based**

## business.

Operations undertaking are limited to Chhattisgarh, thereby exposing it to geographical concentration risk.

Further, the company addresses intense rivalry from other players in the sector. The risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts, and hence the company must bid for such tenders on competitive prices, which may affect the profitability of the company. However, this risk is mitigated to an extent as the company is operating in this environment for a decade.

## Rating Sensitivities

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

## Material covenants

None.

## Liquidity Position

### Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.9.70 Cr in FY2022 as against a long term debt repayment of Rs.4.06 Cr over the same period. The current ratio stood moderate at 1.43 times as on March 31, 2022 as compared to 1.51 times as on March 31, 2021. The cash and bank balances of the company stood at Rs.0.89 Cr in FY2022 as compared to Rs.1.03 Cr in FY2021. However, the fund based limit remained highly utilised at 91.79 per cent over the six months ended April'23, and non-fund based limit remained moderately utilized at 80.63 percent for six months ended March'23. Moreover, the working capital intensive nature of operations of the company is marked by GCA days of 159 days as on March 31, 2022 as against 139 days as on March 31, 2021.

Acuité believes that going forward it is likely that the firm maintains adequate liquidity position 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, sound 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.

## Other Factors affecting Rating

None.

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	138.76	128.44
PAT	Rs. Cr.	6.19	5.31
PAT Margin	(%)	4.46	4.13
Total Debt/Tangible Net Worth	Times	0.91	1.06
PBDIT/Interest	Times	5.28	4.61

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

Crisil vide its press release dated 30.5.2022 had downgraded the company to CRISIL B/Stable/A4; Issuer Not Cooperating.

India Ratings vide its press release dated 27.2.2023 had downgraded the company to IVR BB/Negative/A4; Issuer Not Cooperating.

### Any other information

None.

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Oct 2022	Cash Credit	Long Term	10.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	27.50	ACUITE A4+ (Downgraded and Issuer not co-operating*)
05 Aug 2021	Bank Guarantee	Short Term	27.50	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	26.50	ACUITE A3   Upgraded
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	18.95	ACUITE A3   Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE BBB-   Stable   Upgraded

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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