



Press Release
Alok Buildtech Private Limited
October 15, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	11.00	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	45.45	-	ACUITE A3 Upgraded
Total Outstanding Quantum (Rs. Cr)	64.45	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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**) on Rs.11.00 Cr. bank facilities and short term rating to ‘**ACUITE A3**’ (read as **ACUITE A three**) from ‘**ACUITE A4+**’ (read as **ACUITE A four plus**) on Rs.45.45 Cr. bank facilities of Alok Buildtech Private Limited (ABPL). The outlook remains ‘**Stable**’.

Acuite has also assigned the long term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) on the Rs.8.00 Cr. bank facilities of Alok Buildtech Private Limited (ABPL). The outlook is ‘**Stable**’.

Rationale for rating

The rating upgrade takes into account stable operating performance of the company marked by improvement in profitability margins albeit modest growth in operating income. The order book position of ABPL continues to remain moderate with increase in number of orders and upcoming orders in pipeline. The rating also factors in the long track record of operation and experienced management along with expansion into toll plaza operations segment. The rating is also supported by healthy financial risk profile marked by comfortable coverage indicators. The rating, however, remains constrained by working capital intensive nature of operations, geographical concentration risk in the order book, industrial cyclicity and susceptibility of operating margin to 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.

Unsupported Rating

Not Applicable.

Analytical Approach

Acuité 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 at ABPL. Acuité believes that the group shall continue to benefit from its experienced management and long track record of operations.

Stable operating performance and moderate orderbook position:

ABPL reported revenues of Rs.162.59 Cr. in FY24(Prov.) as against Rs.156.44 Cr. for FY23 with profitability margin of 5.30 percent in FY24(Prov.) The company operates two business segments i.e. EPC business and toll operation services. The EPC segment has an unexecuted orderbook of Rs.359.35 Cr. as on June 2024. In the toll operation segment, the company as on date has five contracts in hand with a total contract value of Rs.276.75 Cr. to be executed in a year from the date of their commencement. Thus, the outstanding order book provides near to medium term revenue visibility for ABPL.

Moderate Financial Risk Profile:

The financial risk profile of the company stood moderate marked by moderate net worth, low gearing and moderate debt protection metrics. The tangible net worth increased to Rs.43.79 Cr. as on 31 March 2024(Prov.) as against Rs.35.16 Cr. as on 31 March, 2023 due to accretion of reserves. The total debt of the company for FY24(Prov.) stood at Rs.38.09 Cr. which includes Rs.12.58 Cr. of long-term debt, Rs.16.64 Cr. of short term debt. The gearing (debt-equity) stood below unity at 0.87 times as on 31 March 2024(Prov.) as against 0.92 times as on 31 March, 2023. Interest Coverage Ratio stood at 3.59 times for FY24(Prov.) as against 5.28 times for FY23. Debt Service Coverage Ratio (DSCR) stood at 1.43 times in FY24(Prov.) as against 1.17 times in FY23. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.24 times as on 31 March, 2024(Prov.) as against 1.63 times as on 31 March, 2023. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.30 times for FY24(Prov.) as against 0.32 times for FY23. Acuité believes that going forward the financial risk profile of the firm will be sustained backed by steady accruals and no major debt funded capex plans.

Weaknesses

Tender based nature of operations and geographical concentration:

Majority of the contracts and orders are in the state of Chhattisgarh, thereby exposing the company to geographical concentration risk. Further, the company also faces intense rivalry from other players in the sector leading to competition risk. The risk becomes more pronounced due to tender based nature of operations, which may affect the profitability of the company. The risk is mitigated to an extent as the company is operating in this environment for a decade.

Intensive Working Capital Management:

The working capital operations of ABPL are moderate marked by its Gross Current Assets (GCA) of 158 days for FY24(Prov.) as against 146 days for FY23. The debtor cycle is seen improving which stood at 3 days in FY24(Prov.) as against 5 days in FY23 since the funds have been released on time. The company raises the bills once the work-in-progress (WIP) is booked with debtors, average credit period for customers is 7 days with Chhattisgarh Government; 15 days with the Central Government and 30 days with other Sub-Contractors. On the other hand, inventory cycle stood high at 74 days in FY24(Prov.) as against 35 days in FY23. The inventory is consumed within 7 days and the WIP lasts for ~15-30 days depending upon the contract. Further, creditors cycle stood at 115 days in FY24(Prov.) as against 93 days in FY23. The creditors payable mechanism stands overall at ~30-35 days with 30 days for raw material like cement and bitumen. Acuité believes that the working capital operations of the company will remain almost at the same levels due to the nature of operations.

Rating Sensitivities

- Stretch in working capital cycle.
- Improvement in scale of operations while maintaining profitability margin.

Liquidity Position

Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The company's net cash accruals stood slightly moderate at Rs.11.32 Cr. in FY24(Prov.) as against Rs.10.29 Cr. in FY23 with maturing debt obligations of Rs.6.29 Cr. in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.16.00-20.00 Cr. against the maturing repayment obligations in the range of Rs.2.00-4.00 Cr. over the medium term. The working capital management of the company is intensive marked by GCA days of 158 days in FY24(Prov.) as against 146 days in FY23. The company maintains unencumbered cash and bank balances of Rs.3.81 Cr. as on March 31, 2024 (Prov.). The current ratio stands at 2.23 times as on March 31, 2024(Prov.) as against 1.83 times as on March 31, 2023. Average bank limit utilization for fund-based limits stood in the range of ~90-92 percent and for non-fund-based limits stood around ~83 percent for the last 12 months ended August 2024.

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	162.59	156.44
PAT	Rs. Cr.	8.63	6.84
PAT Margin	(%)	5.30	4.37
Total Debt/Tangible Net Worth	Times	0.87	0.92
PBDIT/Interest	Times	3.59	5.28

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

Not Applicable.

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Aug 2024	Cash Credit	Long Term	11.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Stable)
	Bank Guarantee (BLR)	Short Term	18.95	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	26.50	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
18 May 2023	Cash Credit	Long Term	11.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Bank Guarantee (BLR)	Short Term	26.50	ACUITE A3 (Upgraded from ACUITE A4+)
	Bank Guarantee (BLR)	Short Term	18.95	ACUITE A3 (Assigned)
18 Oct 2022	Bank Guarantee (BLR)	Short Term	27.50	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3+)
	Cash Credit	Long Term	10.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB Stable)
05 Aug 2021	Bank Guarantee (BLR)	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	Quantum (Rs. Cr.)	Complexity Level	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	26.50	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.95	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BBB- Stable Assigned

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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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