

Press Release

Ashirbad Eng And Construction Private Limited

December 31, 2021



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings	65.00		ACUITE A3 Assigned
Bank Ratings	10.00	ACUITE BBB- Stable Assigned	
Total	75.00	-	-

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB-**' (read as ACUITE Triple B minus) the short term rating of '**ACUITE A3**' (read as ACUITE A three) to the Rs. 75.00 Cr bank facilities of Ashirbad Eng. and Construction Company Private Limited (AECPL). The outlook is '**Stable**'.

The rating reflects extensive experience of the promoters in the construction industry, healthy order book position providing adequate revenue visibility and moderate financial position characterized by lower dependence on external debt and strong debt coverage indicators. The rating also factors in adequate liquidity position of the company. These strengths are partly offset by AECPL's moderate scale of operations in the fragmented industry and geographical concentration.

About the Company

Ashirbad Construction is an Odisha based firm which was established in March 2012. The constitution was changed in 2021 under its current name Ashirbad Eng & Construction Private Limited (AECPL) and is primarily managed by Mr. Abinash Dash and supported by Mr. Bikash Dash. AECPL receives majority of the contracts from the Government of Odisha and various municipal corporations in state of Odisha.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of AECPL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management and established relationship with customers**

Mr. Abinash Dash is the leading promoter of the company who is supported by two other partners Bikash Dash and Shruti Satapathy. Ashirbad Construction was formed in the year 2012 and on the basis of its performance it was elevated from "C class" to "Super Class" within a span of three years. It has successfully completed various projects under different departments of government like rural development, water resources, National Highway, Railway, IDCO, PWD, Odisha Construction Corporation, OBCC and OPTCL. The long standing

experience of the proprietor and long track record of operations has helped him to establish comfortable relationships with key suppliers and reputed customers.

Acuité derives comfort from the long experience of the management and believes this will benefit the firm going forward, resulting in steady growth in the scale of operations.

- **Sound business risk profile supported by strong order book position**

The operating revenue of the company stood at Rs 84.08 crore in FY 2021 as compared to Rs 70.71 crore in FY 2020. The company has achieved revenues of Rs 57.07 Cr till October 2021(Provisional). The stability in revenue is backed by an unexecuted healthy order book position to the tune of about Rs. 428.03 Cr as on 30th September, 2021. The orders for infrastructure projects are primarily from Government organizations. All its projects are on the direct tendering basis. Although, operating margin has been volatile over the past one year, on account of fluctuations in material and employee expenses and higher inventory cost. AECPL's healthy operating efficiency is marked by moderately working capital intensive nature of business and healthy return to capital employed (RoCE) ratio. High employee cost amid the economic slowdown and higher cost inventory kept the margin under pressure in FY 2021.

The profitability margins of the company have declined marginally with operating margin of 7.75 per cent in FY21 as compared to 8.78 per cent in the previous year. The PAT margins stood at 3.36 per cent as on FY2021 as against 3.74 per cent as on FY2020. Gross current assets (GCAs) have been estimated at 120 days as on March 31, 2021, driven by debtor period of 86 days and RoCE has remained in range of 28-30 per cent for last 2 years ending FY 2021. Though company's profitability is exposed to volatility in raw material prices as their prices are volatile in nature, AECPL have an in-built price escalation clause for major raw materials (such as steel, cement, fuel and bitumen) in most of its contracts. Acuité believes that the firm will continue to sustain its order book position and maintain its business risk profile over the medium term.

- **Moderate financial risk profile**

The company's moderate financial risk profile is marked by moderate albeit improving networth, comfortable gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs.12.20 Cr as on March 31, 2021 from Rs.9.69 Cr as on March 31, 2020 due to accretion to reserves. Gearing of the company stood below unity at 0.79 times as on March 31, 2021 as against 0.90 times as on March 31, 2020 due to low dependence on external debt. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 6.46 times as on March 31, 2021 and Debt Service Coverage Ratio at 2.15 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.44 times as on March 31, 2021.

Acuité believes that going forward the financial risk profile of the firm will improve with no major debt funded capex plans.

Weaknesses

- **Segmental and geographic concentration, along with susceptibility to risks related to tender-based operations**

Although the company has a long-standing presence of about 9 years in the industry, its scale of operations remains moderate as reflected in its operating income at Rs 84.08 Cr for FY 2021. As almost all its sales are tender based, the revenue depends on the company's ability to bid successfully for tenders. AECPL specializes in civil works related to construction of roads and buildings mainly for Government of Odisha and various municipal corporations in state of Odisha. The company faces competition from large players, as well as many local and small unorganised players, adversely affecting the profitability. Also, AECPL is a regional player, with 100 per cent of the works executed in and around Odisha.

- **Competitive and fragmented nature of industry**

With increased focus of the central government on the infrastructure sector, AECPL is expected to reap benefits over the medium term. However, most of its projects are tenderbased and face intense competition, which may hence require it to bid aggressively to get contracts. Competition can intensify further due to the recent relaxation in bidding norms by NHAI and the Ministry of Road Transport & Highways (MoRTH).

Rating Sensitivities

- Significant growth in revenue and profitability margin
- Elongation of working capital cycle
- Reduction in order flow

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by net cash accruals which stood at Rs. 4.31 Cr as on March 31, 2021 as against long term debt repayment of only Rs. 1.41 Cr over the same period. The current ratio stood moderate at 1.27 times as on March 31, 2021. The fund based limit remained utilized only at 61 per cent over 11 months ended Nov, 2021. Further, the company has not availed any loan moratorium, but had applied for additional covid loan of Rs.0.90 Cr which is already repaid. The unencumbered cash and bank balances of the company stood at Rs.0.05 Cr as on March 31, 2021 as compared to Rs. 0.01 Cr as on March 31, 2020. Further, the moderate working capital management of the company is marked by Gross Current Assets (GCA) of 120 days as on March 31, 2021 as against 111 days as on March 31, 2020. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes AECPL will benefit over the medium term from its promoters' extensive industry experience. The outlook may be revised to 'Positive' if scale of operations, profitability, and working capital cycle improve significantly, and if the company widens geographical presence. Conversely, the outlook may be revised to 'Negative' if financial risk profile weakens because of significantly low cash accrual, or sizeable working capital requirement, or debt funded capital expenditure.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	84.08	70.71
PAT	Rs. Cr.	2.83	2.65
PAT Margin	(%)	3.36	3.74
Total Debt/Tangible Net Worth	Times	0.79	0.90
PBDIT/Interest	Times	6.46	7.59

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

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

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3 Assigned
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A3 Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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