

Press Release

Ashirbad Eng And Construction Private Limited

February 01, 2023



Rating Assigned, Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	75.00	-	ACUITE A3+ Assigned
Bank Loan Ratings	68.00	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	150.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and upgraded the short-term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 75.00 Cr bank facilities and has assigned the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 75.00 Cr bank facilities of Ashirbad Eng and Construction Private Limited (AECPL). The outlook remains '**Stable**'.

Rationale for the rating

The rating upgrade considers the improvement in the liquidity position of the company marked by the moderate utilisation of the bank limits and the healthy improvement in the cushion available between the net cash accruals and the company's maturing debt obligations.

The rating further takes into cognizance the improvement in the business risk profile of the company led by rise in the revenues and healthy profitability margins. The ratings favourably factor in AECPL's strong order book position providing healthy revenue visibility in the medium term. The ratings also reflect the extensive experience of the promoters in the construction industry and the above average financial risk profile marked by comfortable gearing and robust debt coverage metrics due to lower reliance on external debt. These strengths are, however, offset by the geographical concentration risk and susceptibility to intense competition in the industry.

About the Company

Established in 2012, Ashirbad Construction, erstwhile a proprietorship firm was reconstituted as a company limited by shares in 2021 under its current name Ashirbad Eng & Construction Private Limited (AECPL). Based in Odisha, AECPL is managed by Mr. Abinash Dash, Mr. Bikash Dash and Shruti Satapathy. It undertakes road work projects, bridge projects, irrigation

projects and building projects for different departments of government like rural development, water resources, National Highway, Railway, IDCO, PWD, Odisha Construction Corporation, OBCC and OPTCL. The company receives majority of the contracts from the Government of Odisha and various municipal corporations in state of Odisha. AECPL participates in tenders and executes orders for the various departments of Odisha which enables it to participate in higher value contracts.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AECPL while arriving at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations supported by established clientele base**

AECPL has been operating in the construction industry for over a decade while being aided by the experience of the leading promoter Mr. Abinash Dash along with the support of two other promoters, Bikash Dash and Shruti Satapathy. The company has established comfortable relationships with key suppliers and reputed customers and has completed various projects under National Highway, Railway, IDCO, PWD, Odisha Construction Corporation, OBCC and OPTCL, to name a few. Acuité derives comfort from the long-standing operations of the company assisted by the healthy associations with the clientele.

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

The company has achieved revenues of Rs.103.53 Cr in FY2022 as compared to Rs.84.08 Cr in FY2021. Further, the company has achieved revenues of Rs.101.59 Cr till November, 2022 (provisional). The surge in the revenue levels is supported by the regular flow of orders and the timely execution of these orders. Moreover, the operating margin rose to 10.87 per cent in FY2022 as against 7.75 per cent in FY2021 on account of increase in the scale of operations. The cost of goods sold for the company does not increase in tandem with increase in the revenue. The PAT margin also increased to 6.21 per cent in FY2022 as compared to 3.36 per cent in FY2021. The improvement in the profitability margins have translated into healthy RoCE levels for the company of about 36.05 per cent in FY2022 as against 28.31 per cent in FY2021. AECPL also have an in-built price escalation clause for major raw materials (such as steel, cement, fuel and bitumen) in most of its contracts.

Going forward, the company has an unexecuted order book position to the tune of Rs.831.77 Cr, to be executed within the next 18 to 24 months which further provides healthy revenue visibility over the medium term. Acuité believes that the company will continue to sustain its strong order book position and maintain its business risk profile over the medium term.

- **Above average financial risk profile**

The company's above average financial risk profile is marked by moderate but improving networth, comfortable gearing and robust debt protection metrics. The tangible net worth of the company improved to Rs.19.92 Cr as on March 31, 2022 from Rs.12.20 Cr as on March 31, 2021 due to accretion to reserves. Gearing of the company stood below unity at 0.58 times as on March 31, 2022 as against 0.79 times as on March 31, 2021 due to low dependence on external debt. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.87 times as on March 31, 2022 as against 2.20 times as on March 31, 2021. The robust debt protection metrics of the company is marked by Interest Coverage Ratio at 16.22 times as on March 31, 2022 and Debt Service Coverage Ratio at 4.64 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.77 times as on March 31, 2022. Acuité believes that going forward the financial risk profile of the company will further improve in the absence of major debt funded capex plans.

Weaknesses

- **Susceptibility to geographical concentration risk**

AECPL is based in Odisha and executes projects only for the Government of Odisha and various municipal corporations in the state of Odisha. This leads the company exposed to geographical concentration risk as AECPL is a regional player, with 100 per cent of the works executed in and around Odisha. Any changes in Government future plans could affect the company adversely.

- **Competitive industry**

The civil construction sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. The revenue of the company depends on the ability to bid successfully for tenders, as almost all the sales are tender based. AECPL specialises in civil works related to construction of roads and buildings mainly for Government of Odisha and various municipal corporations in the state of Odisha. The company faces competition from large players, as well as many local and small unorganised players. However, this risk is mitigated to an extent on account of the experience of the management and well-established presence in its terrain.

Rating Sensitivities

- Increase in the scale of operations along with improvement in the profitability margins
- Sustenance of the capital structure

Material covenants

None

Liquidity position: Adequate

The company's liquidity is adequate marked by net cash accruals of Rs. 8.87 Cr as on March 31, 2022 as against long term debt repayment of only Rs. 1.33 Cr over the same period. The fund based bank limits remained moderately utilised at 68 per cent over the 8 months ended November, 2022. The unencumbered cash and bank balances of the company stood at Rs.0.03 Cr as on March 31, 2022 and the investments in fixed deposit stood at 7.94 Cr as on March 31, 2022. The current ratio stood modest at 1.08 times as on March 31, 2022. However, the moderate working capital management of the company is marked by Gross Current Assets (GCA) of 101 days as on March 31, 2022 as against 116 days as on March 31, 2021. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook of the company will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, sound business position and above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile or delay in completion of its projects 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.	103.53	84.08
PAT	Rs. Cr.	6.43	2.83
PAT Margin	(%)	6.21	3.36
Total Debt/Tangible Net Worth	Times	0.58	0.79
PBDIT/Interest	Times	16.22	6.46

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

None

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, 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Dec 2021	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Guarantee	Short Term	45.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A3 (Assigned)
	Proposed Cash Credit	Long Term	5.00	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
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A3+ Upgraded (from ACUITE A3)
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE A3+ Upgraded (from ACUITE A3)
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A3+ Upgraded (from ACUITE A3)
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE A3+ Assigned
ICICI Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB- Stable Reaffirmed

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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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