



Press Release
Ashirbad Eng And Construction Private Limited
July 23, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.50	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	17.00	ACUITE BBB Stable Upgraded	-
Bank Loan Ratings	67.50	-	ACUITE A2 Assigned
Bank Loan Ratings	133.00	-	ACUITE A2 Upgraded
Total Outstanding Quantum (Rs. Cr)	225.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE Triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating to '**ACUITE A2**' (read as **ACUITE A Two**) from '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 150.00 Cr. bank facilities of Ashirbad Eng and Construction Private Limited . The outlook is '**Stable**'.

Further, Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) and the short-term rating of '**ACUITE A2**' (read as **ACUITE A Two**) on the Rs. 75.00 Cr. bank facilities of Ashirbad Eng and Construction Private Limited . The outlook is '**Stable**'.

Rationale for the rating

The rating factors the improvement in the company's scale of operations, marked by an operating income of Rs.291.70 Cr. in FY2024 (Prov.) as against Rs.198.83 Cr. in FY2023. The EBITDA and PAT margin of the company stood at 13.28 per cent and 8.02 per cent respectively in FY2024 (Prov.). The recommended rating also positively factors in the experienced management in civil construction business, appointment of highly experienced professionals in the Board, leading to repeat orders. Additionally, the financial risk profile of the company remained healthy marked by gearing below unity (D/E: 0.48 times as on March 31, 2024(Prov.)), improved coverage indicators reflected by interest coverage ratio and debt service coverage ratio which stood at 12.62 times and 4.41 times respectively as on 31st March 2024 (Prov.), adequate liquidity position marked by unutilized lines of fund-based limits and healthy order book position with unexecuted orders in hand of Rs.816.62 Crore as on 20th June, 2024. However, the above mentioned strengths are partly off-set by risk related to tender based nature of business, volatility in raw material prices and intense competition in the civil construction 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 Ms. 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.

Unsupported Rating

Not applicable.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Ashirbad Eng and Construction Private Limited to arrive at this 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. Acuite derives comfort from the longstanding operations of the company assisted by the healthy associations with the clientele.

Sound business risk profile supported by strong order book position

The company witnessed an improvement in its scale of operations marked by an operating income of Rs.291.70 Cr. in FY2024 (Prov.) as against Rs.198.83 Cr. in FY2023. Going forward, the ability of the company to bag new orders and timely execution of the existing orders will remain a key rating monitorable. The EBITDA margin of the company stood at 13.28 per cent in FY2024 (Prov.) as against 11.91 per cent in FY2023 and the PAT margin of the company stood at 8.02 per cent in FY2024 (Prov.) against 6.62 per cent in FY2023. Though the company's profitability is exposed to volatility in raw material, it has an inbuilt price escalation clause for major raw materials in most of its contracts. The company is expected to have better top-line in near to medium term supported by better margins as compared to previous years on account of better order book with higher margins. Further, the stability in revenue is backed by an unexecuted healthy order book position to the tune of about Rs.816.62 Crore (2.8x of revenue of the company in FY24 (Prov.)) approximately as on 20th June, 2024. The orders for infrastructure projects are primarily from Government organizations. All its projects are on the direct tendering basis. Acuite believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term.

Healthy financial risk profile

The financial risk profile of the company is healthy marked by net-worth of Rs.56.48 Crore as on 31st March 2024 (Prov.) against Rs.33.08 Crore as on 31st March 2023. The increase in the net-worth is on an account of accretion of profits into reserves. Further, the total debt of the company stood at Rs.27.28 Crore as on 31st March 2024 (Prov.) against Rs.13.62 Crore as on 31st March 2023. The capital structure of the company is comfortable marked by gearing ratio of the company which stood at 0.48 times as on 31st March 2024 (Prov.) against 0.41 times as on 31st March 2023. Further, the coverage indicators of the company improved reflected by interest coverage ratio and debt service coverage ratio of the company which stood at 12.62 times and 4.41 times respectively as on 31st March 2024 (Prov.) against 9.10 times and 3.35 times respectively as on 31st March 2023. The TOL/TNW ratio of the company stood at 1.67 times as on 31st March 2024 (Prov.) against 1.74 times as on 31st March 2023 and DEBT-EBITDA of the company stood at 0.67 times as on 31st March 2024 (Prov.) against 0.54 times as on 31st March 2023. Acuite believes that going forward the financial risk profile of the company will remain healthy with no 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

- Significant growth in revenue while sustaining profitability margin
- Constant flow of fresh order maintaining the order book position
- Timely execution of projects

Liquidity Position

Adequate

The liquidity profile of the company is adequate supported by adequate cash accrual, unutilised bank lines, and adequate cash and cash equivalents. The company has generated net cash accruals of Rs.30.58 Crore as on 31 st March 2024 (Prov.) against the debt repayment obligation of Rs.4.44 Crore over the same period. Going forward, the company is expected to generate net cash accruals under the range of Rs.35 Crore to Rs.40 Crore against the debt repayment obligations up to Rs. 6 Crore over the same period. The current ratio of the company stood at 1.13 times as on 31st March 2024 (Prov.) against 1.10 times as on 31st March 2023. The cash and bank balance available with the company stood at Rs.10.74 Crore as on 31st March 2024 (Prov.). Further, there is a lower dependence on the external borrowings wherein the average fund based bank limit utilization of the company stood at 43.74% approximately in last twelve months ended June 2024 (Prov.) and average non-fund based bank limit utilization stood at 76.44% in last twelve months ended June 2024 (Prov.). 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 moderate 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	291.70	198.83
PAT	Rs. Cr.	23.40	13.16
PAT Margin	(%)	8.02	6.62
Total Debt/Tangible Net Worth	Times	0.48	0.41
PBDIT/Interest	Times	12.62	9.10

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, 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
25 Apr 2023	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	26.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	35.00	ACUITE A3+ (Reaffirmed)
01 Feb 2023	Bank Guarantee (BLR)	Short Term	40.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	26.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Guarantee	Short Term	2.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Guarantee	Short Term	75.00	ACUITE A3+ (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
31 Dec 2021	Proposed Bank Guarantee	Short Term	45.00	ACUITE A3 (Assigned)
	Proposed Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A3 (Assigned)
	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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A2 Upgraded (from ACUITE A3+)
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	26.00	ACUITE A2 Upgraded (from ACUITE A3+)
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A2 Upgraded (from ACUITE A3+)
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.50	ACUITE A2 Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A2 Assigned
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BBB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A2 Upgraded (from ACUITE A3+)
Not	Not avl. /	Proposed	Not avl. /	Not avl.	Not avl.			ACUITE A2 Upgraded

Applicable	Not appl.	Bank Guarantee	Not appl.	/ Not appl.	/ Not appl.	Simple	35.00	(from ACUITE A3+)
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE A2 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
ICICI Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	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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