

Press Release

A K Infraprojects Private Limited

May 30, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	87.50	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	112.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.112.50 Cr bank facilities of A K Infraprojects Private Limited (AKIPL). The outlook is 'Stable'.

The rating takes into account the improving business risk profile of the group supported by the growing order book position. The rating also factors the long track record of operations, experienced management and the comfortable financial risk profile of the group marked by healthy debt protection metrics. These strengths are, however, offset by the working capital intensive nature of operations and the competitive industry.

About the Company

A K Infraprojects Private Limited (AKIPL), is incorporated in 2008 as a sister concern of AKCC. The company executes projects in Uttar Pradesh, Madhya Pradesh, Maharashtra, Odisha, Bihar, Tripura and Karnataka. It is headed by Mr. Awadesh Kumar Pathak, Mr. Suresh Kumar Pathak and Mr. Ramesh Kumar Pathak along with a set of skilled professionals. AKIPL undertakes building and electrification works for the government entities.

About the Group

Established in 1998, A K Construction Company (AKCC) is a partnership firm engaged in civil construction works. The firm is based in Uttar Pradesh and is headed by Mr. Awadesh Kumar Pathak, Mr. Suresh Kumar Pathak and Mr. Ramesh Kumar Pathak along with a set of skilled professionals. AKCC undertakes contracts for constructing roads, bridges, government buildings for the government departments namely, Public Works Department (PWD), PMGSY and some PSU's. Along with this, the firm is registered as a Class A contractor with PWD, UP Irrigation Department, UP Power Corporation, to name a few. AKCC also executes projects in Madhya Pradesh, Maharashtra, Odisha, Bihar, Tripura and Karnataka.

Analytical Approach

For arriving at this rating, Acuite has consolidated the business and financial risk profiles of A K Construction Company (AKCC) and A K Infraprojects Private Limited (AKIPL) together

referred to as the 'A K Group' (AKG). The consolidation is in the view of common management, strong operational linkages between the entities and a similar line of business. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Long standing operations and experienced management**

AKIPL's long standing operations spans over a decade. Moreover, the directors of the company, Mr. Suresh Kumar Pathak and Mr. Ramesh Kumar Pathak have more than a decade's experience in the construction industry contributing to the growth of the group, along with the other director Mr. Awadesh Kumar Pathak adding the expertise of more than two decades in the construction industry. Acuité believes that the long track record and the promoters strong understanding of the market dynamics coupled with the healthy relations with the customers and suppliers will benefit the group going forward.

- **Consistent revenue growth coupled with growing order book position**

The group has maintained consistency in their revenue growth over the years. For FY22, the group has achieved revenues of Rs.317.37 Cr (provisional) as compared to revenues of Rs.245.23 Cr in FY21. The increase in the top line is due to the growing order book position and its execution by the group. Further as on March 31st, 2022 the group has an unexecuted order book of Rs.564 Cr to be executed in the next 12 to 24 months. Moreover, the group has achieved diversification in their scope of work and geographical presence. In terms of geography, the group executes projects in Uttar Pradesh, Madhya Pradesh, Maharashtra, Odisha, Bihar, Tripura and Karnataka with no significant dependence on any particular state. In terms of diversified scope of work, the group has broadened their area of work to include construction works of roads, bridges, government building along with electrification works for the government departments. Acuite believes that going forward, the growth in scale of operations will be aided by the revenue visibility from the order book position.

- **Healthy financial risk profile**

The healthy financial risk profile of the group is marked by modest and improving net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the group increased to Rs.61.01 Cr as on March 31, 2021 from Rs.46.77 Cr as on March 31, 2020 due to accretion to reserves and infusion of capital of Rs.9.58 Cr in FY21. Gearing of the group stood comfortable at 0.51 times as on March 31, 2021 as against 1.21 times as on March 31, 2020, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at a moderate level of 1.75 times as on March 31, 2021 as against 3.07 times as on March 31, 2020. The healthy debt protection metrics is marked by Interest Coverage Ratio at 2.93 times as on March 31, 2021 and Debt Service Coverage Ratio at 2.46 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.29 times as on March 31, 2021. Acuité believes that going forward the financial risk profile will remain above average over the medium term, in absence of any major debt funded capex plans.

Weaknesses

- **Working capital intensive nature of operations**

The group's working capital intensive nature of operations is marked by Gross Current Assets (GCA) of 157 days on 31st March 2021 as compared to 189 days in 31st March 2020. The high level of GCA days is on account of moderate debtor period and the high current assets due to retention money and security deposits during the same period. The debtor period stood at 123 days in 31st March 2021 as compared to 120 days in 31st March 2020. Moreover, the inventory holding stood low at 1 day in 31st March 2021 as compared to 16 days as on 31st

March 2020. Acuité believes that the working capital operations of the group will remain at same level as evident from the low inventory levels and extended collection mechanism over the medium term.

• Competitive industry

The civil construction sector is marked by the presence of several mid to big size players. The group faces intense competition from the other players in the sectors. 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

- Sustainability in their growth in scale of operations while improving profitability margins
- Reduction in order flow
- Elongation in working capital cycle

Material covenants

None

Liquidity Position: Adequate

The group's liquidity is adequate marked by steady net cash accruals of Rs.9.13 Cr as on March 31, 2021 as against long term debt repayment of Rs.0.90 Cr over the same period. The group has not availed any loan moratorium. The cash and bank balances of the group stood at Rs.12.22 Cr as on March 31, 2021. The current ratio stood comfortable at 1.91 times as on March 31, 2021 as compared to 1.86 times as on March 31, 2020. However, the fund based limit of the group is highly utilized at 91 per cent over the seven months ended March, 2022. The working capital management of the group is intensive marked by Gross Current Assets (GCA) of 157 days in 31st March 2021 as compared to 189 days in 31st March 2020. Acuité believes that going forward the group will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on A K Infraprojects Private Limited (AKIPL) will remain 'Stable' over the medium term on account of the experienced management, steady business risk profile and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	245.23	219.73
PAT	Rs. Cr.	8.52	5.79
PAT Margin	(%)	3.47	2.64
Total Debt/Tangible Net Worth	Times	0.51	1.21
PBDIT/Interest	Times	2.93	2.70

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

CARE, vide its press release dated February 04, 2022 had denoted the rating of A K Infraprojects Private Limited (AKIPL) as 'CARE BB/Stable/A4; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

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
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	32.50	ACUITE A3 Assigned
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	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	13.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 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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