



Press Release
A K INFRA PROJECTS PRIVATE LIMITED
June 20, 2023
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	24.00	ACUITE BBB Stable Upgraded	-
Bank Loan Ratings	88.50	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	112.50	-	-

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 A3+' (read as ACUITE A three plus)** from **'ACUITE A3' (read as ACUITE A three)** on the Rs.112.50 Cr bank facilities of A K Infraprojects Private Limited (AKIPPL). The outlook remains **'Stable'**.

Rationale for rating upgrade

The rating upgrade takes into account the augmentation in the business risk profile of the group, marked by an improvement in scale of operations by 75 percent yo-y growth to Rs. 572.56 crore in FY2023 (Provisional) as against Rs. 326.72 crore in FY2022. The growth is primarily supported by the healthy execution of projects and the segmentally diversified order book position of the group. The group's total unexecuted order book position stood at Rs. 1221.55 crore as of March 31, 2023, providing adequate revenue visibility over the medium term.

The rating also takes into account the strong clientele base, primarily from State Government entities, and the long-standing operations of the group in the civil construction industry, aided by the experienced management. The rating also draws comfort from the group's above-average financial risk profile and the adequate liquidity position backed by improving accruals and low debt repayment obligations.

However, these strengths are offset by the high receivables days of the group and the highly competitive industry they operate in.

About the Company

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

About the Group

The group consists of two companies namely, A K Infra Projects Private Limited (AKIPPL) a private limited company which was incorporated in 2008 and a sister concern A K Construction Company (AKCC). AKIPPL is promoted by Mr. Awadesh Kumar Pathak, Mr. Suresh Kumar Pathak and Mr. Ramesh Kumar Pathak along with a set of skilled professionals.

The company undertakes building and electrification works for the government entities in Uttar Pradesh. Established in 1998, A K Construction Company (AKCC) is a partnership firm

managed by Mr. Awadesh Kumar Pathak, Mr. Suresh Kumar Pathak and Mr. Ramesh Kumar Pathak. The firm is based in Uttar Pradesh and is engaged in civil construction works and undertakes contracts for constructing roads, bridges, government buildings.

Analytical Approach

For arriving at this rating, Acuité 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

AK Group has established a long presence of around three decades in the civil construction industry and has developed a strong clientele base comprising government departments, National Highways & Infrastructure Development Corporation Ltd., Indian Oil Corporation Limited (IOCL), and Bharat Heavy Electrical Limited, to name a few. The group is managed by Mr. Awadesh Kumar Pathak, who has more than two decades of experience, and is supported by the decade-long expertise of Mr. Suresh Kumar Pathak and Mr. Ramesh Kumar Pathak. Acuité believes that going forward, the growth of the group will be aided by the long track record of operations and the management's strong understanding of market dynamics.

Improvement in scale of operations

The group has witnessed improvement in operating income and achieved revenues of Rs. 572.56 crore in FY2023 (Provisional) as compared to Rs. 326.72 crore in FY2022, thereby registering a y-o-y growth of 75 percent. The increase in operating income is supported by the increase in the order book size and its timely execution. Further, the group has an unexecuted order book position to the tune of Rs. 1221.55 crore to be executed in the next 12 to 24 months. The operating margin of the group increased to 5.21 percent in FY2023 (Provisional) as compared to 4.42 percent in FY2022. The PAT margin also rose to 3.40 percent in FY2023 (provisional) as against 2.87 percent in FY2022. The rise in profitability margins is on account of a reduction in the costs incurred. Acuité believes that the scale of operations will remain healthy, backed by comfortable revenue visibility over the medium term.

above-average financial risk profile

The above-average financial risk profile of the group is marked by moderately improving net worth, comfortable gearing, and healthy debt protection metrics. The tangible net worth of the group rose to Rs. 97.04 crore as of March 31, 2023 (Provisional) from Rs. 64.85 crore as of March 31, 2022, due to accretion to reserves and retention of profits. The gearing of the group remained below unity at 0.57 times as of March 31, 2023 (Provisional) as against 0.73 times as of March 31, 2022. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) improved and stood at a moderate level of 1.29 times as of March 31, 2023 (Provisional) as against 2.30 times as of March 31, 2022. The healthy debt protection metrics are marked by an interest coverage ratio of 4.28 times and a debt service coverage ratio of 3.51 times as of March 31, 2023 (Provisional). Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.36 times as of March 31, 2023 (Provisional).

Acuité believes that going forward, the financial risk profile will remain above average over the medium term in the absence of any major debt-funded capex plans.

Weaknesses

Elongated receivable period

The debtor period of the group reduced but remained at a moderately high level of 78 days on March 31, 2023 (Provisional) as compared to 130 days on March 31, 2022. The high debtor

days are primarily on account of the contracts executed for government clients, where the contract proceeds are generally delayed. Acuité believes that the debtor cycle will remain at similar levels over the medium term.

Competitive industry

The civil construction sector is marked by the presence of several mid- to large-sized players. The company faces intense competition from other players in the sector. The group specialises in civil works related to the construction of roads and buildings, mainly for the 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 the group's well-established presence in its territory.

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.20.06 Cr as on March 31, 2023 (Provisional) as against long term debt repayment of only Rs.1.00 Cr over the same period. The cash and bank balances of the group stood at Rs.9.42 Cr as on March 31, 2023 (Provisional). The current ratio stood comfortable at 2.01 times as on March 31, 2023 (Provisional) as compared to 1.67 times as on March 31, 2022. The working capital management of the group remained moderate marked by Gross Current Assets (GCA) of 96 days in 31st March 2023 (Provisional) as compared to 150 days in 31st March 2022. However, the fund-based limit of the group is moderately utilized at 81 per cent over the seven months ended April, 2023. Acuité believes that going forward the group will maintain adequate liquidity position owing to the improving accruals.

Outlook: Stable

Acuité believes that the outlook on A K Infraprojects Private Limited (AKIPPL) will remain 'Stable' over the medium term on account of the experienced management, steady business risk profile and above average 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	572.56	326.72
PAT	Rs. Cr.	19.45	9.38
PAT Margin	(%)	3.40	2.87
Total Debt/Tangible Net Worth	Times	0.57	0.73
PBDIT/Interest	Times	4.28	3.51

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

CARE, vide its press release dated April 17, 2023 had denoted the rating of A K Infraprojects Private Limited (AKIPPL) as 'CARE BB/Stable/A4; ISSUER NOT COOPERATING'.

BRICKWORK, vide its press release dated January 04, 2022 had denoted the rating of A K Construction Company (AKCC) as 'BWR B/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>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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
30 May 2022	Bank Guarantee	Short Term	32.50	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	45.00	ACUITE A3 (Assigned)
	Proposed Letter of Credit	Short Term	10.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	Proposed Cash Credit	Long Term	13.00	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
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	32.50	ACUITE A3+ Upgraded (from ACUITE A3)
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE A3+ Upgraded (from ACUITE A3)
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	38.00	ACUITE A3+ Upgraded (from ACUITE A3)
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	15.50	ACUITE A3+ Upgraded (from ACUITE A3)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Geeta Karira Analyst-Rating Operations Tel: 022-49294065 geeta.karira@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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