

Press Release

Amar Infrastructure Limited

February 01, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	124.00	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	146.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of **A3+** (read as **ACUITE A three plus**) to the Rs.146.00 Cr bank facilities of Amar Infrastructure Ltd. The outlook is '**Stable**'.

Rationale for the rating

The ratings reflect firm's long operational track record along with a healthy order book size. The current order book provides strong revenue visibility over the medium term. The ratings also factor in firm's healthy financial risk profile marked by its healthy network and a moderate capital structure. These rating strengths are partially offset by the firm's working capital intensive nature of operations and geographical concentration.

About the Company

Incorporated in 2009, Amar Infrastructure Limited (AIL) is a Chhattisgarh based company engaged in the construction of roads, bridges, buildings, infrastructure development across the country for last 32 years. The current directors are Mr. Surendra Rath, Mr. Narendra Rath, Mr. Sushil Chandak Kumar, Mr. Purushottam Das Bhutda and Ms. Meena Bhutda.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of AIL while arriving at the rating.

Key Rating Drivers

Strengths

Experienced management and established relationship with customers

AIL has a track record of more than three decades in the construction sector. The company is promoted by Mr. Chaturbhuj Rath, Mr. Narendra Rath and Mr. Surendra Rath, who have an experience of over three decades in civil construction work. They are well supported by a team of experienced and qualified professionals. It has successfully completed various

projects under different departments of government like M.P. Public Works Deptt., Bhopal, C.G. Public Works Deptt., South Eastern Railway, C.G. Water Resources Division, C.G. Housing Board and NHAI. The long-standing experience of the promoter and long track record of operations has helped the company to establish comfortable relationships with key suppliers and reputed customers. Acuité believes that the long track record and rich experience of the promoters augur well for the relationship with their key suppliers and customers.

Sound business risk profile supported by strong order book position

The operating revenue of the company improved to Rs 172.16 crore in FY 2022 as compared to Rs 62.23 crore in FY 2021 due to better execution of projects. Till December 2022, the company has been able to achieve a revenue of Rs. 237.49 crore. The operating margins of the company declined to 13.38 per cent in FY2022 as compared to 21.78 per cent in the previous year on account of increase in raw material prices which could not immediately be passed on to the customers. The PAT margins increased to 8.69 per cent as on FY2022 as against 6.18 per cent as on FY2021. The RoCE levels for the company stood comfortable at 18.75 per cent in 2022 as against 10.53 per cent in FY2021. Though the company's profitability is exposed to volatility in raw material prices as their prices are volatile in nature, it has 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 improvement in profitability margins will remain a key rating sensitivity. The company has strong order book position with unexecuted orders in hand worth around Rs. 1029.7 crore which are to be executed in the upcoming two to three years, thereby providing strong revenue visibility in the medium term. Acuité 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 marked by modest net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood at Rs. 82.47 crore in FY 2022 as compared to Rs 70.43 crore in FY2021. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company has stood moderate at 0.74 times in FY 2022 when compared to 0.67 times in FY 2021. The gearing is expected to remain low over the medium term on account of absence of any debt funded capex plans and modest incremental working capital requirements. Interest coverage ratio (ICR) stood at 5.08 times in FY2022 as against 2.81 times in FY 2021. The debt service coverage ratio (DSCR) of the company stood at 4.14 times in FY2022 as compared to 2.45 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.36 times in FY2022 as compared to 0.24 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain healthy on account of steady net cash accruals and no major debt funded capex plan over the near term.

Weaknesses

Working capital intensive nature of operation

The working capital management of the company has improved in FY22, although marked by Gross Current Assets (GCA) of 282 days in 31st March 2022 as compared to 467 days on 31st March with increased efficiencies in inventory management. The high GCA days are mainly led by significant earnest money, fixed deposit receipts issued against bank guarantees and retention money kept by the tendering authorities. The debtor period stood at 74 days as on March 31, 2022 as compared to 64 days as on March 31, 2021. Further, the inventory holding is at 33 days as on March 31, 2022 as compared to 92 days as on March 31, 2021. The company focuses on easy mobilisation of its resources, thereby improving the turnaround time and reducing the idleness of machinery and equipment. Acuité believes that the working capital operations of the company will remain intense as evident from its high debtor levels; due to the time taken to execute the orders, operating cycle takes between 1 to 3 months resulting in the large working capital requirement.

Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, asphalt/bitumen and sand which are usually sourced from

large players/dealers at proximate distances. The raw material & labour cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour cost. However, the company has an in-built price variation clause for major raw materials like cement, bitumen & steel in majority of its contracts which protects its margin to an extent.

Rating Sensitivities

Scaling up of operations while maintaining their profitability margin

Timely execution of orders

Sustenance of existing financial risk profile with healthy capital structure

Material covenants

None

Liquidity Position

Adequate

The company has adequate liquidity marked by comfortable net cash accruals of Rs. 22.27 crore as against Rs. 0.64 crore long term debt obligations in FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 35.48 crore to Rs. 36.14 crore during 2023-24 as against Rs. 7.50 crore of long term debt obligations FY2023 and Rs.7.50 crore in FY2023 respectively. The bank limit of the company has been ~80 percent utilized during the last eight months ended in November 2022. The current ratio of the company stood at 1.27 times in FY2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuité believes the company's outlook will remain 'stable' over the medium term on account of its experienced management, moderate business risk profile and financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while sustaining its operating margins. Conversely, the outlook may be revised to 'Negative' in case of further decline in revenues or stretch in working capital cycle leading to deterioration in the liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	172.16	62.23
PAT	Rs. Cr.	14.96	3.84
PAT Margin	(%)	8.69	6.18
Total Debt/Tangible Net Worth	Times	0.74	0.67
PBDIT/Interest	Times	5.08	2.81

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

Not Applicable

Any other information

India Ratings vide its press release dated 10.07.2022, had downgraded the company to IND-RA BB/A4+; INC.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE A3+ Assigned
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A3+ Assigned
Karnataka Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE A3+ Assigned
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB Stable Assigned
Karnataka Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB Stable Assigned

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in</p> <p>Anik Das Manager-Rating Operations Tel: 022-49294065 anik.das@acuite.in</p>	<p>Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in</p>

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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