

Press Release

Akhil Infra Projects Private Limited

February 23, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	39.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has assigned its long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B 'minus'**) and short term rating to '**ACUITE A3**' (read as **ACUITE A 'three'**) on the Rs.50.00 Cr bank facilities of AKHIL INFRA PROJECTS PRIVATE LIMITED (AIPPL). The outlook is '**Stable**'.

Rating Rationale

The ratings assigned takes into account the experienced management and moderate order book position providing adequate medium term revenue visibility. Further, the rating derives strength from the moderate financial risk profile and improving scale of operations. The operating income of the AIPPL improved to Rs.60.17 Cr in FY2022 as against Rs.33.60 Cr in FY2021. It generated a revenue of Rs.55.00 Cr as on January 2023. However, the rating is constrained by working capital intensive operations and risks pertaining to tender based nature of operations. Going forward, ability of the firm to improve its scale of operations while maintaining its profitability margins and capital structure and restricting further elongation of its working capital cycle will remain a key rating monitorable.

About the Company

Incorporated in 2013, Akhil Infra Projects Private Limited (AIPPL) is a Karnataka based company promoted and managed by G Sathyanarayana and G. Bhagya Rathna. The company is a class one contractor and undertakes civil construction contract for state government departments, mainly in the irrigation, water supply and drainage sector.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the AIPPL to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and moderate orderbook position

AIPPL, a first class civil contractor, has established presence in executing projects specialized in underground works water sewage treatment plants, irrigation etc . The company is owned

and operated by Mr.Satyanarayana Ganamani, he has more than 2 decades of experience in the line of civil construction. The promoters' extensive industry experience and past record of timely execution of past projects has aided the company to establish relations with various government divisions such as Karnataka Niravari Nigam Limited (KNNL), Krishna Bhagya Jala Nigam limited (KBJNL), Bagalkote town development authority (BTDA), Karnataka urban water supply & drainage board (KUWSDB), and many region-wise authorities amongst others. As on December 2022, AIPPL has an unexecuted order book position of approx. Rs. 544.52 Cr (includes L1 orders worth Rs.142 Cr) which estimated to be completed over the next 24-36 months. Thus, providing medium-term revenue visibility. Acuité believes that the promoters' extensive industry experience, established relation with its principal contractors and healthy order book will aid AIPPL's business risk profile over the medium term.

Moderate financial risk profile

The financial risk profile of the company has remained moderate with moderate capital structure and debt protection metrics. The net worth of the company stood at Rs.15.19 Cr and Rs.11.20 Cr as on March 31,2022 and March 31,2021 respectively. The gearing of the company has been slightly deteriorating over the last 3 years ending March 31,2022 due to increase in long term debt. However, the gearing ratios are below one. It stood at 0.85 times as on March 31,2022 against 0.74 times as on March 31, 2021. The Debt/EBITDA has decreased during the period as it stood at 1.98 times as on March 31, 2022 as against 2.31 times as on March 31,2021 respectively. The debt protection metrics is comfortable, marked by interest coverage ratio and debt service coverage ratio stood at 4.56 times and 3.29 times as on March 31, 2022 respectively as against 3.70 times and 3.06 times as on March 31, 2021 respectively. Total Outside Liabilities by Total Net Worth (TOL/TNW) stood at 1.95 times and 1.39 times as on March 31, 2022 and March 31, 2021 respectively. Acuité expects the financial risk profile to remain moderate over the medium term in the absence of any major debt funded capex plan.

Weaknesses

Working capital intensive operations

The working capital management of the firm remained intensive with high gross current assets (GCA) days at 223 days as on March 31, 2022 as against 206 days as on March 31, 2021. The GCA days are driven by high inventory days. Inventory days stood at 103 days as on March 31, 2022 as against 66 days as on March 31, 2021. Debtors days stood at 59 days as on March 31, 2022 as against 75 days as on March 31, 2021. Subsequently, the payable period stood at 216 days as on March 31, 2022 as against 142 days as on March 31, 2021 respectively. The high GCA days also underpin the earnest money deposits/security deposits/withheld money. Further, the average bank limit utilization in the last twelve months ended December, 2022 remained at 86.50 percent for fund-based and 85.44 percent for non-fund based. Acuité believes that the working capital requirements will continue to remain intensive over the medium term.

Susceptibility to tender-based operations

Tender based operations limit pricing flexibility in an intensely competitive industry. Revenue and profitability depend entirely on the ability to win tenders. Entities in this segment face intense competition, thus requiring them to bid aggressively to procure contracts; this restricts the operating margin to a moderate level. Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical. Acuité believes that the company's business profile and financial profile can be adversely impacted on account of presence of stiff competition, and has inherent risk of susceptibility to tender based operations.

Rating Sensitivities

- Timely execution of its order book leading to substantial improvement in scale of operations while maintaining profitability margins over the medium term.
- Any deterioration in working capital cycle and liquidity profile of the company.

Material covenants

None

Liquidity Position: Adequate

The company has generated adequate net cash accruals to service its debt obligations. The Net Cash Accruals (NCA) stood at Rs.3.98 Cr in FY2022 as against the repayment of Rs.0.42 Cr for the same period and expected to generate cash accruals in the range of Rs.6.68-10.83 Cr. against debt obligation of Rs.0.62-0.61 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs.0.13 Cr as on March 31, 2022. The current ratio of the company stood at 1.40 times as on 31 March, 2022. The average bank limit utilization in the last twelve months ended December, 2022 remained at 86.50 percent for fund-based and 85.44 percent for non-fund based. Acuité believes that AIPPL's liquidity will remain sufficient over the medium term backed by improving accruals and moderate repayment obligations.

Outlook: Stable

Acuité believes that AIPPL will continue to benefit over the medium on account of, experienced management moderate order book position. The outlook may be revised to 'Positive', in case of timely execution of its unexecuted order book leading to higher than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case any significant stretch in its working capital management or larger-than-expected debt funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	60.17	33.60
PAT	Rs. Cr.	3.38	1.64
PAT Margin	(%)	5.61	4.87
Total Debt/Tangible Net Worth	Times	0.85	0.74
PBDIT/Interest	Times	4.56	3.70

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, Acuité 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
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	22.50	ACUITE A3 Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3 Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE A3 Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.24	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.26	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	0.50	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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