

Press Release
AKHIL INFRA PROJECTS PRIVATE LIMITED
July 03, 2024



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	2.92	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	10.50	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	87.08	-	ACUITE A3 Assigned
Bank Loan Ratings	39.50	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	140.00	-	-

Rating Rationale

Acuite has reaffirmed 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'.

Acuite also assigned the long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and short-term rating of 'ACUITE A3' (read as ACUITE A three) on Rs.90 Cr. bank facilities of Akhil Infra Projects Private Limited (AIPPL). The outlook is 'Stable'.

Rationale for rating

The rating considers the stable operating and financial performance of the company marked by improving revenue, moderate order book position and moderate financial risk profile. AIPPL's operating income improved to Rs.76.84 Cr. in FY2023 as against Rs.60.17 Cr. in FY2022. It is further estimated to generate a revenue of ~Rs.133.32 Cr. in FY2024. The financial risk profile of the company continues to be moderate marked by above-average coverage indicators and gearing albeit low net worth. The rating also draws comfort from AIPPL's experienced management, long track record of operations and its long association with the government authorities. However, the rating is constrained by working capital intensive operations and risks pertaining to competitive and fragmented industry. Going forward, AIPPL's ability to sustain the improvement in its scale of operations while maintaining profitability will remain a key rating sensitivity.

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 engaged in civil contractor, specializing in irrigation, water supply, drainage sector and treatment plants. The registered office of the company is in Bangalore.

Unsupported Rating

Not applicable

Analytical Approach

Acuité 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 a presence in executing projects specialized in underground works, water sewage treatment plants, irrigation, etc. The company is owned and operated by Mr. Satyanarayana Ganamani, who has more than two decades of experience in the field of civil construction. The promoters' extensive industry experience and past record of timely execution of projects have aided the company in establishing 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 and drainage board (KUWSDB), and many region-wise authorities, amongst others.

As on March 2024, AIPPL has an unexecuted order book position of approx. Rs.287.81 Cr. (including L1 orders worth Rs.101.40 Cr.) which is estimated to be completed over the next 12-24 months. Thus, providing medium-term revenue visibility. Further, AIPPL achieved a turnover of Rs.76.84 Cr. in FY2023 as against Rs.60.17 Cr. in FY2022, reporting growth of 27.71 percent. The EBITDA margin stood at 10.71 percent in FY2023 as against 10.61 percent in FY22. The company has maintained its EBITDA margins at 10.00-11.00 percent for the last three years. The PAT margin stood at 5.62 percent in FY2023 as against 5.61 percent in FY2022. Furthermore, the company is estimated to achieve a revenue of ~Rs.133.32 Cr. in FY2024 with an EBITDA margin of 8.03 percent. Acuité believes that the promoters' extensive industry experience, established relationships with its principal contractors, and moderate 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, marked by a low net worth, above -average gearing ratios and debt protection metrics. The net worth of the company stood at Rs.19.18 Cr. and Rs.15.19 Cr. as on March 31, 2023 and March 31, 2022 respectively. The total debt of the company is Rs.12.07 Cr. which includes Rs.0.50 Cr. of long-term debt, Rs.9.57 Cr. of short term debt and Rs.2.00 Cr. of current maturities of long term debt. The gearing level (debt-equity) moderately improved and stood at 0.60 times as on March 31, 2023 as against 0.85 times as on March 31, 2022. The Debt/EBITDA of the company also improved and stood at 1.42 times as on March 31, 2023 as against 1.98 times as on March 31, 2022. However, TOL/TNW slightly deteriorated and stood at 2.24 times as on March 31, 2023 as against 1.95 times as on March 31, 2022. Increase in trade payables in FY2023 resulted in a deterioration of TOL/TNW.

The debt protection metrics of the company are above -average, with Interest Coverage Ratio (ICR) of 4.39 times in FY2023 as against 4.56 times in FY2022. The DSCR of the company stood at 2.26 times in FY2023 as against 2.03 times in FY2022.

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 company remained intensive, with high Gross Current Assets (GCA) days at 263 days as on March 31, 2023 as against 223 days as on March 31, 2022. The GCA days are driven by high debtor days and an increase in other current assets. The debtor days stood at 71 days as on March 31 2023 as against 59 days as on March 31 2022. However, the inventory days improved and stood at 88 days as on March 31, 2023 as against 103 days as on March 31, 2022. The payable days further stretched and

stood at 291 days as on March 31, 2023 as against 216 days as on March 31, 2022. However, the average bank limit utilisation over the past twelve months ending March 2024 stood moderate at 37.59% for the fund based working capital facilities.

Acuite expects the working capital operations to remain intensive over the medium term.

Susceptibility to tender-based operations

Tender based operations limit pricing flexibility in an intensely competitive industry. The 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

- Increase in the orderbook position over the medium term.
- Sustained growth in scale of operations while maintaining profitability.
- Any significant elongation in working capital cycle leading to deterioration in liquidity position and financial risk profile.

Liquidity Position: Adequate

The company has generated adequate net cash accruals to service its debt obligations. The Net Cash Accruals (NCA) stood at Rs.5.01 Cr. in FY2023 as against the repayment of Rs.1.13 Cr. for the same period and expected to generate cash accruals in the range of Rs.7.14-9.82 Cr. against debt obligation of Rs.2.00-0.67 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs.8.42 Cr. as on March 31, 2023. The current ratio of the company stood at 1.26 times as on March 31, 2023. The average bank limit utilization in the last twelve months ended March 2024 remained at 37.58 % for fund based facilities.

Acuité believes that AIPPL's liquidity will remain adequate 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 and moderate order book position. The outlook may be revised to 'Positive', in case of in case of timely execution of its unexecuted order book leading to higher than-expected revenues and maintaining profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	76.84	60.17
PAT	Rs. Cr.	4.32	3.38
PAT Margin	(%)	5.62	5.61
Total Debt/Tangible Net Worth	Times	0.60	0.85
PBDIT/Interest	Times	4.39	4.56

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 May 2024	Bank Guarantee (BLR)	Short Term	12.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	22.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	5.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.50	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Proposed Cash Credit	Long Term	2.08	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.42	ACUITE BBB- Stable (Reaffirmed)
23 Feb 2023	Bank Guarantee (BLR)	Short Term	22.50	ACUITE A3 (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Guarantee	Short Term	15.00	ACUITE A3 (Assigned)
	Proposed Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Assigned)
	Proposed Letter of Credit	Short Term	1.50	ACUITE A3 (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.24	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.26	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WC DL)	Long Term	0.50	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
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.50	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.50	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A3 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	87.08	ACUITE A3 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.08	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.92	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2025	Simple	0.42	ACUITE BBB- Stable Reaffirmed

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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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