



Press Release
ALANKAR REAL ESTATES PRIVATE LIMITED
November 02, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.00	ACUITE B+ Stable Assigned	-
Bank Loan Ratings	3.00	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	10.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 10.00 Cr. bank facilities of Alankar Real Estates Private Limited (AREPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned reflects the established track record and industry experience of the promoters of the company in the civil construction works. However, this strength is partially offset by the moderate financial risk profile marked by weak debt protection metrics. Further it also factors in the intensive working capital cycle of company as seen by high GCA days of 219 days as on FY23. The rating is also constrained by the stretched liquidity position of the company as reflected by full utilizations in its the short-term bank financing.

About the Company

Established in 1994, Alankar Real Estate Private Limited is a Nagpur based civil engineering constructions company for Government sectors like Military engineering Services, C-PWD, NBCC, etc and Private sectors. It was founded by Mr. Sutinderpal Singh Arora. The company is 100 percent owned by the family. The current directors of the company are Mr. Sutinderpal Singh Arora and Mrs. Savita Arora.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Alankar Real Estates Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations in industry and Experienced Management

The Promoter of the company have close to three decades experience in the civil construction activities. The company was started in 1994 as a real estate builder. In 2013 the

company winded up this segment and entered the contracting work for government sectors mainly Military engineering Services, C-PWD and NBCC. Along with this the company also undertakes private sector contracting work. At present about 60 percent of the revenue is marked from the government activities and remaining from the private sector contracting works. The order book of the company as on September 2023 stands at Rs. 33.6 crore which

provides revenue visibility over the medium term. The revenue of the company grew by a CAGR of 21 percent in last two years on account of increasing order book and faster execution by the company. The revenue increased to Rs. 19.71 crore in FY2023 as against Rs. 11.41 crore in FY2022.

Acuité believes that the long operational track record coupled with the extensive experience of the management will continue to benefit AREPL going forward, resulting in steady growth in the scale of operations

Weaknesses

Moderate Financial Risk Profile

The financial risk profile of the company stood moderate, marked by low net worth, moderate gearing (debt-equity) and weak debt protection metrics. The tangible net worth stood at Rs. 21.74 crore as on 31 March 2023 as against Rs.21.62 crore as on 31 March 2022. The total debt of the company stood at Rs.12.35 crore which includes short-term debt of Rs.5.43 crore, unsecured loans of Rs.4.24 crore and Term loan of 2.68 crore as on 31 March 2023. The company follows a conservative financial risk policy reflected through its peak gearing of 0.64 times as on 31 March 2022. The gearing (debt-equity) stood at 0.57 times as on 31 March 2023 as compared to 0.64 times as on 31 March 2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.71 times as on 31 March 2023 as against 0.82 times as on 31 March 2022. Interest Coverage Ratio stood at 1.21 times for FY2023 as against 1.19 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.16 times in FY2023 as against 1.17 times in FY2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.02 times for FY2023 as well as FY2022. Acuite believes that ability to maintain a moderate financial risk profile of the company is a key rating sensitivity for the company.

Intensive Working Capital Management

The working capital management of the company is intensive marked by GCA days of 219 days in FY23 as against 463 days in FY22. AREPL maintained inventory levels of around 224 days in FY23 as against 468 days for FY22. Inventories consist of building materials such as steel, cement, etc. Subsequently, the debtor's collection period stood at 3 days in FY23 as against 42 days for FY22. Lower debtor's days is on account of billing made by the company, which the company usually delays until the payment is confirmed from the client. Furthermore, the creditor days stood at 21 days in FY23 as against 79 days in FY22. Generally, the company has the credit period of 30 days. As a result, the reliance on working capital limits is very high which is marked by near to full utilizations of bank limits in the last 06 months ended September' 2023.

Acuite believes that the working capital operations of the company may continue to remain intensive on account of the nature of industry in which the company operates.

Rating Sensitivities

- Any significant improvement in scale of operations while maintaining profitability.
- Further elongations in the working capital operations of the company and deterioration in liquidity position.

All Covenants

None

Liquidity Position Stretched

The company's liquidity position is stretched with company's high reliance on short term bank borrowings with almost fully utilized working capital limits for last 6 months ended September 2023. Further, marked by low net cash accruals against the maturing debt obligations. The company generated net cash accruals in the range of Rs.0.22-0.37 crores from FY2021-23. In addition, it is expected to generate cash accrual in the range of Rs.1.28-2.61 crores against the maturing repayment obligations of Rs.0.83 crores over the medium term. The working capital management of the company is intensive marked by GCA days of 219 days in FY2023 as against 463 days in FY2022. The current ratio stands at 1.27 times as on March 31, 2023, as against 1.54 times as on 31 March 2022.

Acuite believes that the liquidity of the company may improve going ahead on account of increasing cash accruals from the business.

Outlook: Stable

Acuité believes the outlook on AREPL will continue to remain 'Stable' over the medium term backed by long track record of operations and experienced management. The outlook may be revised to 'Positive' if the group is able to significantly improve the scale of operations, while also improving its working capital operations efficiently and being less reliance on short term debt. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile of the group by not able to scale up the business and further deterioration in working capital management and liquidity position.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	19.71	11.41
PAT	Rs. Cr.	0.12	0.07
PAT Margin	(%)	0.59	0.64
Total Debt/Tangible Net Worth	Times	0.57	0.64
PBDIT/Interest	Times	1.21	1.19

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

CRISIL vide its press release dated 15th Sept 2023, had rated the company to CRISIL B+/Stable/A4; Issuer Not Cooperating.

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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, 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
IDBI Bank Ltd.	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A4 Assigned
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.50	ACUITE B+ Stable Assigned
IDBI Bank Ltd.	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	0.60	ACUITE B+ Stable Assigned
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.90	ACUITE B+ Stable 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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