



Press Release
Alankar Real Estates Private Limited
August 05, 2024
Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.00	ACUITE B+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	3.00	-	ACUITE A4 Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	10.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 10.00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. The withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company, and NOC (No Objection Certificate) received from the banker.

Rationale for rating reaffirmation:

The rating reaffirmation is driven by the stable operating performance of the firm. The operating income of AREPL stood at Rs.29.62 Cr. in FY2024 as against Rs.19.71 Cr. in FY2023. The operating margins of the company declined to 5.78 percent in FY2024 as against 8.27 percent in FY2023 on account of increase in material cost due to price escalation. Whereas, the PAT margins increased to 0.77 percent in FY2024 as against 0.59 percent in FY2023.

About the Company

Established in 1994, Alankar Real Estates 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 50 percent of the revenue is marked from the government activities and remaining from the private sector contracting works. 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.

Moderate Financial Risk Profile:

The financial risk profile of the company stood moderate, marked by moderate net worth, moderate gearing (debt-equity) and moderate debt protection metrics. The tangible net worth stood at Rs.21.97 Cr. as on 31 March 2024 as against Rs.21.74 Cr. as on 31 March 2023. The total debt of the company stood at Rs.14.26 Cr. which includes short-term debt of Rs.5.48 Cr, unsecured loans of Rs.6.87 Cr. as on 31 March 2024 and Term loan of Rs.1.90 Cr. The gearing (debt-equity) stood at 0.65 times as on 31 March 2024 as compared to 0.57 times as on 31 March, 2023. Interest Coverage Ratio stood at 1.31 times for FY2024 as against 1.21 times for FY2023. Debt Service Coverage Ratio (DSCR) stood at 1.25 times in FY2024 as against 1.16 times in FY2023. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.76 times as on 31 March, 2024 as against 0.71 times as on 31 March, 2023. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.02 times for FY2024 as well as FY2023.

Weaknesses

Intensive Working Capital Management:

The working capital management of the company is intensive marked by GCA days of 181 days in FY2024 as against 219 days in FY2023. The GCA days have seen a declined trend. The company-maintained inventory levels of around 171 days in FY2024 as against 224 days for FY2023. Inventories consist of various building materials such as steel, cement, etc. Subsequently, the debtor's collection period stood at 13 days in FY2024 as against 3 days for FY2023. Higher debtor's days is on account of bill booking which is done by the government. Furthermore, the creditor days stood at 6 days in FY2024 as against 21 days in FY2023. Generally, the company has the credit period of 30 days.

Exposure to Intense competition in a fragmented industry:

The infrastructure is a fairly fragmented industry with a presence of large number of players. The company faces stiff competition with its competitors in procuring orders through bidding, immense competition for procuring tenders leads to very competitive pricing which in turn lead to stress on the margins. Moreover, susceptibility of raw material pricing again keeps profit margin vulnerable and is a key sensitivity factor.

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.

Liquidity Position Stretched

The company's liquidity position is stretched, marked by low net cash accruals against the maturing debt obligations. The company generated net cash accruals in the range of Rs.0.23-0.33 Cr. from FY2022-24 against the maturing debt obligations in the range of Rs.0.55-0.77 Cr. in the same period. The working capital management of the company is intensive marked by GCA days of 181 days in FY2024 as against 219 days in FY2023. The current ratio stands at 1.84 times as on March 31, 2024, as against 1.39 times as on 31 March, 2023.

Outlook: Not Applicable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	29.62	19.71
PAT	Rs. Cr.	0.23	0.12
PAT Margin	(%)	0.77	0.59
Total Debt/Tangible Net Worth	Times	0.65	0.57
PBDIT/Interest	Times	1.31	1.21

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>
- 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Nov 2023	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A4 (Assigned)
	Cash Credit	Long Term	5.50	ACUITE B+ Stable (Assigned)
	Covid Emergency Line.	Long Term	0.60	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	0.90	ACUITE B+ 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
IDBI Bank Ltd.	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A4 Reaffirmed & Withdrawn
IDBI Bank Ltd.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.50	ACUITE B+ Reaffirmed & Withdrawn
IDBI Bank Ltd.	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	01 Jun 2025	Simple	0.60	ACUITE B+ Reaffirmed & Withdrawn
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 May 2026	Simple	0.90	ACUITE B+ Reaffirmed & Withdrawn

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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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