



Press Release
AVP INFRACON LIMITED
January 28, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	51.50	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	55.50	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	107.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**Acuite BBB**' (read as **ACUITE triple B**) and its short-term rating of '**Acuite A3+**' (read as **ACUITE A three plus**) on Rs.107.00 Cr. bank facilities of AVP Infracon Limited (AVPIL). The outlook is '**Stable**'.

Rationale for rating

The rating assigned considers experienced management and long operational track record, augmentation in scale of operations backed by healthy order book position and profitability margins. The rating also draws comfort from healthy financial risk profile, adequate liquidity position of the AVP group. The rating is however constrained by working capital intensive nature of operations, high geographical concentration in order book and inherent risks in tender based nature of business in an intensely competitive construction industry.

About the Company

Tamil Naidu based, AVP Constructions Private Limited incorporated in Sep 2009. In Sep 2023 the name of the company changed from AVP Constructions Private Limited to AVP Infracon Private Limited. Subsequently the company was converted into the public limited company on 20th Oct 2023 and name of the company was changed to AVP Infracon Limited (AVPIL). On 20th March 2024, Company has been listed on SME platform of NSE, by way of Initial Public Offer ("IPO") of 69,79,200 fully-paid-up equity shares of face value Rs10 each at a premium of Rs 65 each.

The company derives its revenues primarily from construction activities including infrastructure developmental works, constructions work such as technically complex and high value projects like Express ways, National Highways, Flyovers, Bridges and Viaducts, Irrigation Projects, Urban Development - Civic amenities and other projects etc. Promoters of the group are namely Mr D Prasanna, Mr. B Venkateshwaralu, manages the business operations of the company. Mr. Dhandayuthapani Vasanth, Mr.Dhandayuthapanni Bhagyavathy, Mr. Dhandayuthapani Prasanna, Mr. Rajan Ethiraja, Mrs. Priya Rao and Ms. Chellasamy Rajendran are the present directors of the company.

About the Group

Chennai based firm AVP RMC, a partnership firm established on 2017 with Mr. D Prasanna, Mr. Venkateshwaralu, Mr K Jaiganesh and Mr D Vasanth were partners having 25 per cent shares each. In FY23, AVPIL acquired the firm with 90 per cent share as a partner along with other four partners namely Mr. D Prasanna, Mr. B Venkateshwaralu, Mr K Jaiganesh and Mr D Vasanth. The firm is engaged into the business of manufacturing and supply of readymade concrete.

Unsupported Rating

Not applicable

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité considered consolidated business and financial risk profiles of AVP Infracon Limited (AVPIL) and AVP RMC (Partnership firm). The consolidation is in the view of AVP RMC being a subsidiary of AVPIL, common management, operational linkages, financial linkages between the entities and a similar line of business. The group is herein being referred to as AVP group.

Key Rating Drivers

Strengths

Experienced management and reputed clientele base

The AVP group has an established track record of operations for over 15 years in the similar line of business. The group has 124 fleets and 3 RMC plants (Ready Mix Concrete) located at Tirupur, Coimbatore and Dharapuram. Promoters of the group namely Mr D Prasanna, Mr. B Venkateshwaralu are having two decades of experienced in the field of civil construction. Group has done collaboration with the key clients such as Greater Cheenai Corporation, NHA, Ministry of Road Transport and highways, Tamil Nadu Public Works department and Tamil Nadu Highways department.

Acuité believes that the group is expected to benefit from the promoter's extensive experience and established relationships with their reputed clientele.

Augmentation in operating performance backed by healthy order book

The group has achieved revenues of Rs 161.01 Cr in FY2024 as compared to the revenues of Rs 114.98 Cr in the FY2023. The turnover of the group has grown at 40.03 per cent in FY2024. The group has reported revenue of Rs 109.22 Cr in H1FY2025 as against Rs 66.98 Cr in H1FY2024 and estimated to report the revenues of Rs. 200 Cr in FY2025. AVPIL has an unexecuted order book to the tune of Rs 236.14 Cr as on Sep 30, 2024 which further gives revenue visibility over the medium term.

The operating margin of the group has improved Y-O-Y and stood at 22.04 per cent in FY2024 as against 19.92 per cent in FY2023 reporting a growth of ~55 per cent. The improvement in the operating margins were majorly on account of execution of higher margin projects. The PAT margins of the group also improved Y-O-Y and stood at 11.59 per cent in FY2024 as against 10.02 per cent in FY2023.

Acuité believes that AVP group's operating performance will remain comfortable backed by healthy order book position and adequate profitability margins.

Healthy financial risk profile

The financial risk profile of the group is healthy marked by moderate net worth, comfortable gearing and debt protection metrics. The net worth of the group stood at Rs.110.46 Cr as on March 31, 2024 as compared to Rs 42.37 crore as on March 31, 2023. This improvement in the net worth is mainly due to increase in the share capital by way of issuance of bonus shares to existing shareholder, floating of IPO and retention of profits. Further, Acuite has considered Rs 14.00 Cr subordinated quasi equity part of net worth based on the undertaking received from management to maintain the amount in the business.

The gearing of the group improved and stood comfortable at 0.46 times as on March 31, 2024 as against 1.26 times as on March 31, 2023, due to improvement in the net worth of the group as against debt obligations. The debt protection matrices of the group are comfortable marked by Interest coverage ratio (ICR) of 5.05 times and debt service coverage ratio (DSCR) of 1.28 times for FY2024 as against 5.33 times and 4.49 times respectively for the FY 2023. The net cash accruals to total debt (NCA/TD) of the group has been improved which stood at 0.43 times in FY2024 as against 0.29 times in the FY2023.

Acuité believes that the financial risk profile of the group will remain healthy on account of steady net cash accruals owing to stable profitability margins along with no major debt funded capex plans.

Weaknesses

Working capital intensive nature of operation

The operations of the group are working capital intensive marked by high gross current asset (GCA) of 400 days as on 31st March 2024 as compared to 341 days as on 31st March 2023. The GCA days are high primarily on account of high receivables and inventory. The EPC business retains a naturally elevated working capital intensity,

attributed to prolonged project execution timelines and payments tied to project milestones. The debtor days have increased and stood at 128 days for FY2024 as against 17 days for FY2023, since majority of the billing is done in the last quarter. The inventory days of the group stood at 242 days in FY2024 as compared to 291 days in FY2023. The creditor days stood at 191 days for FY2024 as against 341 days for FY2023. The average utilisation of its working capital limits was at ~67.36 percent for fund based and ~85.26 percent for non-fund based in last 12 months ended Nov 2024.

Acuité believes that the working capital operations of the group will remain at the similar levels over the medium term based on the nature of business.

High geographical concentration

The group derives majority of revenue from government projects limited to Tamil Nadu thereby reflecting higher geographic concentration. Moreover, the unexecuted order book of the company is also geographically limited to state of Tamil Nadu only.

Inherent risks in tender-based businesses and intense competition in the industry

Intense competition from several players, and exposure to risks arising from dependence on tenders and geographical presence restricted to Tamil Nadu, restrict AVPIL's ability to scale up further. Growth in revenue and profitability depends on the group's ability to bid successfully and executes order within stipulated time frame.

Rating Sensitivities

- Consistent improvement in scale of operation while sustaining profitability margin
- Deterioration in financial risk profile
- Working capital management
- Timely execution of orders

Liquidity Position

Adequate

The group's liquidity is adequate marked by steady net cash accruals of Rs.22.05 Cr as on March 31, 2024 as against long term debt repayment of Rs.8.80 Cr over the same period. The current ratio of the group stood at 1.83 times as on March 31, 2024 as against 1.23 times as on March 31, 2023. The average utilisation of its working capital limits was at ~67.26 percent for fund based and ~85.26 percent for non-fund based in last 12 months ended Nov 2024.

Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate net cash accruals as against long term debt repayments over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	161.01	114.98
PAT	Rs. Cr.	18.67	11.52
PAT Margin	(%)	11.59	10.02
Total Debt/Tangible Net Worth	Times	0.46	1.26
PBDIT/Interest	Times	5.05	5.33

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

None

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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. Acuité'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	Quantum (Rs. Cr.)	Complexity Level	Rating
Federal Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE A3+ Assigned
Kotak Mahindra Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE A3+ Assigned
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	24 Jul 2024	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A3+ Assigned
Federal Bank	Not avl. / Not appl.	Cash Credit	22 Feb 2024	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BBB Stable Assigned
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	25 Jun 2024	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB Stable Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	24 Jul 2024	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB Stable Assigned
Federal Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.50	Simple	ACUITE A3+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.50	Simple	ACUITE BBB Stable Assigned

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr No	Name of Entity
1	AVP Infracon Limited
2	AVP RMC

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About Acuité Ratings & Research

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