Press Release
ANIKA CONSTRUCTIONS PRIVATE LIMITED
February 24, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BB | Stable | Assigned	-
Bank Loan Ratings	5.00	-	ACUITE A4+ | Assigned
Total Outstanding Quantum (Rs. Cr)	10.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned its long-term rating of **'ACUITE BB' (read as ACUITE double B**a)nd short-term rating of '**ACUITE A4+' (read as ACUITE A four plus)**on Rs. 10.00 Cr. proposed bank facilities of Anika Constructions Private Limited (ACPL). The outlook is **'Stable'**.

Rationale for rating assigned
The rating assigned factors in the established track record of the company along with the extensive experience of the promoters in the construction industry. Further, the rating takes into consideration healthy growth in the operations backed by strong order book. However, these strengths are partly offset by average financial risk profile, moderate working capital operations and inherent limitations of EPC business. Going forward, the operations of the company are expected to improve on account of eligibility to directly bid for the government tenders and shall be a key rating monitorable.

About the Company

Incorporated in 2014, Anika Constructions Private Limited (ACPL) is engaged in the Engineering, Procurement and Construction (EPC) work of building reinforced soil wall using geo synthetic implementations on contractual basis. The company is predominately involved in road works for national highways, railway projects, irrigation projects and has license for airport construction as well. The company is based in Hyderabad, Telangana and is promoted by Mr. Subbarao Perumalla and Ms. Puttuboyina Sravani. The operations of the company is spread across India, majorly in the states like Odissa, Telangana, Maharashtra, Andhra Pradesh and Karnataka.

Unsupported Rating
Not Applicable

Analytical Approach

Acuité has considered standalone business and financial risk profile of ACPL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

ACPL is engaged in the business of undertaking of EPC sub-contracts for private entities. The company started its operations with providing solutions for large infrastructure projects for their reinforced (RE) soil wall construction and geo synthetic implementations using geotextiles, geogrids and geocells. The company has completed more than 32 projects till FY24 varying from RE panels and wall castings, approaches to flyovers, laying of plain railway tracks, station buildings, maintenance work of airports, etc. The key customers of the company are leading EPC players like SVS Mookambika, BB Verma, Megha Engineering, Afcons Infra, GMR Airports, etc. The promotors of the company have around two decades of experience in the construction activities. Acuité believes that the long operational track record coupled with the extensive experience of the management will continue to benefit the company going forward, resulting in steady growth in the scale of operations.

Improving Operating Performance

The revenue of the company improved significantly to Rs. 47.25 Cr. in FY24 as compared to Rs. 16.22 Cr. in FY23 and Rs. 15.02 Cr. in FY22, on account of fresh contract inflows and timely project executions. Further, till January 31, 2025, ACPL has booked a revenue of Rs. 34.30 Cr. Moreover, the EBITDA margin stood at 8.18 percent in FY24 as against 10.39 percent in FY23 owing to the increase in the input costs. Further, the PAT margin stood at 1.92 percent in FY24 as compared to 2.54 percent in FY23. As on December 31, 2024, the company had a order book of Rs. 95.05 Cr. indicating healthy revenue visibility for the near to medium term. Additionally, ACPL is eligible to submit a direct bid for government contracts from February 2025, which shall enhance the business's operations and profit margins.

Weaknesses

Average Financial Risk Profile

The company's financial risk profile remains average marked by its low net worth which stood at Rs. 5.59 Cr. as on March 31, 2024, as against Rs. 4.83 Cr. as on March 31, 2023. Further, networth includes unsecured loan of Rs. 3.60 Cr. from promotor as a part of quasi-equity. Therefore, the gearing (debt-equity) stood improved at 1.10 times as on March 31, 2024 as against 1.32 times as on March 31, 2023. The debt protection metrics stood moderate as marked by interest coverage ratio (ICR) of 4.30 times in FY24 as against 5.20 times in FY23 and debt service coverage ratio (DSCR) of 1.51 times in FY24 as against 2.06 times in FY23.
Furthermore, in FY25, the company has already availed term loan of around Rs. 4.50 Cr. for the purchase of construction equipment and in FY26, it is further expected to avail term loan of Rs. 2.5 Cr.

Moderate Working Capital Operations

The working capital management of the company stood moderate as evident by gross current asset (GCA) of 97 days in FY24 as against 204 days in FY23. The GCA days are driven majorly by the debtor levels and other current assets which consists of retention money. The company does not maintain any inventory on its book as operations are on subcontracting basis. Further, the debtor's collection period stood at 76 days in FY24 as against 174 days in FY23. However, the creditor days stood at 100 days in FY2024 as against 142 days in FY2023. The average working capital limit utilisation for the fund-based facilities remained high at ~94.30% for the last six months ended December' 2024.

Susceptibility to intense competition and cyclicality in the construction industry

ACPL is exposed to cyclicality inherent in the EPC industry and volatility in profitability amid intense competition in the EPC segment. With the increasing focus of the central government on the infrastructure sector, ACPL is expected to reap benefits over the medium term. However, most of its projects are tender-based and face intense competition, which may require it to bid aggressively to get contracts. Also, given the cyclicality inherent in the EPC industry, the ability to maintain profitability margin through operating efficiency becomes critical.

Rating Sensitivities

- Timely execution of existing contracts and receipt of fresh profitable contracts leading to improvement in business risk profile
- Any significant debt funded capex plans affecting the financial risk profile
- Further elongations in the working capital operations leading to deterioration liquidity position

Liquidity Position
Adequate

The company's liquidity profile is adequate marked by net cash accruals of Rs. 2.63 Cr. in FY24 as against maturing debt obligations of Rs. 1.44 Cr. for the same period. Going forward, the cash accruals of the company are estimated to remain in the range of around Rs. 3.00-5.00 Cr. during FY25-26 against repayment obligations ranging from Rs. 2.50-3.50 Cr. for the same period. The average utilisation of fund-based bank facilities remained high at ~94.30 percent for last six months ended as on December 31, 2024. The company maintained unencumbered cash and bank balances of Rs. 0.70 Cr. as on March 31, 2024 and the current ratio stood at 1.04 times as on March 31, 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	47.25	16.22
PAT	Rs. Cr.	0.91	0.41
PAT Margin	(%)	1.92	2.54
Total Debt/Tangible Net Worth	Times	1.10	1.32
PBDIT/Interest	Times	4.30	5.20

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
- 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 :
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
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BB | Stable | Assigned
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A4+ | Assigned

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