



Press Release
ARMCO INFRA PRIVATE LIMITED
June 09, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	60.00	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	60.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB-' (read as ACUITE Double B minus)**' on the Rs. 60.00 Cr. bank facilities of Armco Infra Private Limited (AIPL). The outlook is '**Stable**'.

Rationale for rating

The rating assigned reflects the experience of the promoters in the civil construction works and comfortable order book position. The rating also considers the adequate liquidity position of the company. However, the rating is constrained due to limited operational track record, below average financial risk profile and working capital intensive operations. It also factors in the geographical concentration risk in an intensely competitive tender based business.

About the Company

Incorporated in 2021 and based in Kerala, Armco Infra Private Limited (AIPL) is engaged in the business of civil construction and primarily undertakes contract for Jal Jeevan Mission, roads, etc. in the state of Kerala. Mr. Thasleem Cherkala Abdul Rahiman and Ms. Jaseena are the present directors of the company.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered standalone business and financial risk profiles of AIPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

Incorporated in 2021, AIPL is managed by Mr. Thasleem C.A. and Ms. Jaseena. Although operations started in 2023, the directors have been engaged in the industry for around two decades. Additionally, the company is supported by a qualified management team. It has various ongoing projects with several reputed counterparties like Kerala Water Authority (KWA), Kerala Road Fund Board (KRFB) and PWD among others. The long-standing experience of the promoter and long track record of operations has helped the company to establish comfortable relationships with key suppliers and reputed customers. Acuite believes, the company will benefit from the extensive experience of the directors in maintaining long standing relations with suppliers and customer.

Modest scale of operations with comfortable order book

AIPL reported an increase in revenue, reaching Rs. 25.60 Cr. in FY 2025 (Prov.) as against Rs. 9.21 Cr. in FY 2024 on account of higher execution of contract works during the year. This growth is supported by a comfortable order book position, with unexecuted orders of ~ Rs. 205.92 Cr., as of May 2025, thereby reflecting revenue visibility for the medium term. The company achieved an operating margin of 26.96 percent in FY25 (Prov.),

down from 29.27 percent in FY24. However, the PAT margin improved to 12.20 per cent in FY25 (Prov.) from 8.90 per cent in FY24. Acuité believes that AIPLs operating performance would remain stable over the medium term backed by its comfortable order book position.

Weaknesses

Below average financial risk profile

The financial risk profile of AIPL is below average marked by low net worth, high gearing and moderate debt

protection metrics. The net worth of the company stood at Rs. 7.90 Cr. as of 31st March 2025 (Prov.), compared to Rs. 4.77 Cr. as of 31st March 2024. This improvement in net worth is mainly due to the retention of profits. The gearing of the company remained high at 4.36 times as of 31st March 2025 (Prov.) compared to 4.75 times as of 31st March 2024. Further, debt protection metrics remained moderate, with the debt service coverage ratio (DSCR) at 2.40 times in FY 2025(Prov.), compared to 1.81 times in the previous year. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.10 times in FY 2025(Prov.), compared to 0.05 times in the previous year. Acuité believes, the financial risk profile of the company would improve in the medium term in the absence of any long-term debt or major debt funded capex.

Working Capital Intensive Operations

The operations of the company are working capital intensive in nature, marked by GCA of 650 days in FY 2025 (Prov.) against 1031 days in FY 2024. The Debtors' collection period improved and stood at 299 days in FY2025(Prov.), as compared to 363 days in FY2024. Inventory days also improved to 323 days in FY2025(Prov.) from 646 days in FY2024. Additionally, the creditors' days stood at 85 days in FY2025(Prov.), as compared to (145) days in FY2024. The GCA days and working capital cycle have shown year-on-year improvement, primarily due to reduced inventory days and quicker customer payments, resulting in reduced debtor days. Furthermore, the company's fund-based working capital limit utilization remained moderate, with average utilization of fund-based bank facilities at ~78 per cent over the last 12 months ending March 2025. Acuité believes that the working capital operations of the company will continue to remain intensive.

Tender-based nature of operations in an intensely competitive civil construction industry

As AIPLs entire business is tender based, the revenue depends on the company's ability to bid successfully for tenders. AIPL specialises in civil works related to water supply projects (Jal Jeevan Mission) and Road projects mainly for Kerala Water authority and PWD. The company faces competition from large players, as well as many local and small unorganised players, adversely affecting the profitability. Currently all their projects are situated in Kerala. This increases the geographical concentration risk significantly.

Rating Sensitivities

- Consistent Improvement in scale of operation and profitability margins
- Changes in the financial risk profile
- Working capital management

Liquidity Position

Adequate

The company's liquidity position is adequate, marked by generation of sufficient net cash accruals of Rs. 3.42 Cr. in FY2025 (Prov.) as against no maturing debt obligations during the same tenure. In addition, it is expected to generate sufficient cash accruals in the range of Rs. 4.31 – 7.52 Cr. as against its maturing repayment obligations of around Rs. 0.62 – 0.65 Cr. over the medium term. The current ratio stood at 1.16 times as on 31st March 2025(Prov.) as against 1.18 times as on 31st March 2024. Further, the average bank limit utilization for the past 12 months ending March 2025 is averaging around 78 percent. Acuité believes that the liquidity position of the company will remain adequate, supported by steady cash accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	25.60	9.21
PAT	Rs. Cr.	3.12	0.82
PAT Margin	(%)	12.20	8.90
Total Debt/Tangible Net Worth	Times	4.36	4.75
PBDIT/Interest	Times	2.82	2.01

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

None

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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 :

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 Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BB- Stable Assigned
Kerala Financial Corporation	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BB- Stable Assigned

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About Acuité Ratings & Research

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