



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Alok Buildtech Private Limited

April 06, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Bank Facilities- Long Term	10.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
	Total	10.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Alok Buildtech Private Limited (“ABPL” or “the Company”) derives comfort from its long track record of operation and experienced promoters, along with its proven project execution capability. The rating also factor in its moderate order book position reflecting satisfactory near to medium term revenue visibility, comfortable capital structure with satisfactory debt protection metrics and prudent working capital management. These rating strengths are partially offset by vulnerability of profitability to adverse fluctuation in raw material prices, inherent risk as civil contractor, revenue concentration risk in order book, tender driven nature of operation restricting the profit margins in the backdrop of high competition from other players in the industry.

Key Rating Sensitivities

Upward revision factors:

- Growth in scale of operations with improvement in profitability, cash accruals and debt protection metrics on a sustained basis.
- Sustenance of the capital structure and continuance of the interest coverage at over 3x and Total debt to GCA below 2.5x
- Manage working capital requirements efficiently with improvement in liquidity position.



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Downward revision factors:

- Moderation in scale of operations or profitability impacting the liquidity profile.
- Any deterioration in debt protection metrics and/or liquidity profile.
- Withdrawal of subordinated unsecured debt and/or moderation in the capital structure with deterioration in overall gearing to more than 1.5x.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Long track record of operation and experienced promoters

The promoters are into civil construction business since 1997 and thus have more than two decade of long-track record of operations. The key promoter; Mr.Alok Shivhare has around three decades of experience in the same line of the business; looks after the day-to-day operation of the company. He is supported by the other promoter Mr. Apoorv Shivhare, who has around five years of experience in construction industry.

Proven project execution capability

Over the past years, the entity has successfully completed many civil construction projects majorly in Chhattisgarh and ensured timely completion of all its projects. Since inception, the company has done the work for Public Work Department and National Highway Authority of India, in Chhattisgarh.

Strong order book position reflecting satisfactory medium-term revenue visibility

Alok group is engaged in civil construction activities in the segment like construction of roads and bridges. As on February15, 2020, ABPL has an unexecuted order book position of Rs.224.58 Crore which is to be executed in next 12 to 18 months providing a healthy revenue visibility for the near to medium term. In its total order book, ABPL has toll collections contracts worth ~Rs.87 crore which expects to result in a consistent revenue generation for the company.



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Healthy profitability

The combined revenue witnessed a healthy CAGR of ~37% during FY17-FY19 with a sharp y-o-y growth of ~80% in FY19. The growth was mainly driven by steady order inflow and consequent execution of the same under both the entities. Further, over the past three years, the Alok group has maintained a healthy profitability marked by satisfactory EBITDA margin, healthy PAT margin and comfortable gross cash accruals.

On a standalone basis, FY17 was the first year of operation of ABPL and the company has witnessed an increase in total operating income from Rs.15.07 crore in FY18 to Rs.65.02 crore in FY19, owing to steady procurement of orders and timely execution of the same. Further, in 9MFY20, ABPL (on a standalone basis) has achieved a PAT of Rs.5.32 crore on a total operating income of Rs.78.64 crore. Going forward, materialization of the already bided contracts and win of new contracts will be crucial for the company.

Comfortable capital structure with healthy debt protection metrics

To arrive at the net worth, Infomerics has considered unsecured loans from the promoters/directors amounting to Rs.8.19 Crore outstanding as on March 31, 2019 as quasi-equity as the same is subordinated to the bank facilities. The overall gearing stood comfortable at 0.51x as on March 31, 2019. The debt protection indicators marked by interest coverage and Total debt to GCA witnessed steady improvement from 3.19x and 3.36 years respectively in FY18 and remained strong at 4.54x and 1.69 years respectively in FY19 driven by healthy improvement in EBIDTA, reduced debt levels and improvement in cash accruals. Further, total indebtedness as reflected by TOL/ANW remained comfortable at 0.96x as on March 31, 2019.

Prudent working capital management

The operating cycle of the group remained adequate at 01 day in FY19, which supports the cash flow of the company. Also, Debtor outstanding days remains comfortable at 15 days as on March 31, 2019. The current ratio and quick ratio stood healthy at 1.97 times and 1.66 times respectively in FY2019. Further, the group derives comfort from the dues are from various government departments and highly reputed private sector clients which carries a low default



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risk. As per the policy, the creditors are normally aligned with debtors and payment to suppliers is made after recovery of payment from debtors. This holds good for most purchases except certain specialized purchases (specific contract items) and certain basic items like sand, etc. which are not available on credit.

Key Rating Weaknesses

Susceptibility of profitability to volatile input prices

Since its inception, the group has been engaged in civil construction activities in the segment like construction of roads and bridges. Therefore, the major inputs required by the group are bitumen, asphalt, murrum, stone chips, metals, concrete etc. the prices of which are volatile. However, some of the contracts (70-80% of the total contracts) executed by the group contain escalation clause but the same is not sufficient to guard against volatile input material price. This apart, it does not enter into any agreement with contractees to safeguard its margins against any increase in labour prices and being present in a highly labour intensive industry, it remains susceptible to the same.

Tender driven nature of business in highly fragmented & competitive construction sector

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the company's ability to successfully bid for the tenders as entire business is tender based. The domestic infrastructure/construction sector is highly fragmented marked by presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.

Revenue concentration risk in order book

Geographic and segment concentration risks persist, because, since inception, operations have been restricted to road and bridges mainly for the Public Work Department and National Highway Authority of India in Chhattisgarh. However, long standing experience of the promoters in this segment and in the state of Chhattisgarh imparts comfort. Further, geographical



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concentration risk is partially mitigated through healthy order book position and empanelment as “A5” class contractor, which makes eligible to do bidding in other states as well.

Inherent risk as civil contractor

Economic vulnerability and regulatory risks in developing markets, delay in payments from the Government, project execution risk and fluctuating input costs are the key business risk faced by the company in civil constructions.

Analytical Approach: Consolidated Approach.

Alok Buildtech Private Limited (ABPL) and M/s AlokShivhare’ both the entities are managed by the same promoter with the same management and are engaged in the same line of business. Further, M/s Alok Shivhare has been merged with Alok Buildtech Private Limited with effective dated from 01st April, 2017. Hence, the past financials of Alok Buildtech Private Limited (ABPL) and M/s Alok Shivhare’ are combined and commonly referred as ‘Alok group’ for the purpose of our analysis.

Applicable Criteria:

Rating Methodology for infrastructure companies.

Financial Ratios & Interpretation (Non-financial Sector).

Liquidity: Adequate

The liquidity profile of ABPL is expected to remain adequate marked by its expected satisfactory cash accrual in the range of ~Rs.9.75-13 crore as against a debt repayment obligation in the range of Rs.1.25-1.50 crore during FY20-FY22. Further, the company has adequate gearing headroom with an overall gearing of 0.51x as on March 31, 2019. Further, the company has no planned capex or availing of long-term debt plan, which imparts comfort. Moreover, the company has a healthy current ratio at 1.97 times as on March 31, 2019. The average cash credit utilisation of the company remained moderate at ~86% during the past 12 months ended January



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2020 indicating an adequate liquidity buffer. Going forward, in case of substantial increase in revenue, enhancement in bank lines remains critical to efficiently manage liquidity.

About the Company

Incorporated in August 2016, Alok Buildtech Private Limited (ABPL) was promoted by Mr. Alok Shivhare and Mr. Apoorv Shivhare. The company has been engaged in civil construction activities in the segment like construction of roads and bridges. The company is registered as a Class – A5 and as a Special Class Contractor with the PWDs of Chhattisgarh. ABPL procures work contracts through tender and executes orders mainly for various departments of Public Work Department (PWD), National Highway Authority of India and Chhattisgarh Road Development Corporation Limited (CGRDC) etc. Earlier, the Promoter was running their proprietary business named ‘M/s Alok Shivhare’ since 1997, which is also engaged in civil construction activities in the segment like roads and bridges. ‘M/s Alok Shivhare has been merged with Alok Buildtech Private Limited with effective date April 01, 2017.

Financials (Consolidated):

	(Rs. crore)	
For the year ended*	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	68.44	122.89
EBITDA	7.14	13.64
PAT	3.37	8.03
Total Debt	17.70	16.67
Adj. Tangible Net worth	22.19	32.78
EBITDA Margin (%)	10.43	11.10
PAT Margin (%)	4.86	6.48
Overall Gearing Ratio (x)	0.80	0.51

*Classification as per Infomerics' standards

Note: On the basis of an undertaking from the company, unsecured loans given by the promoters close to Rs.8.19 Crore outstanding as on March 31,2019 will not be withdrawn till the rated facilities exists in the company.



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Status of non-cooperation with previous CRA:None

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Bank Facilities-Fund based	Long Term	10.00	IVR BBB- /Stable Outlook	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	10.00	IVR BBB- /Stable Outlook