

Press Release

Atal Realtech Private Limited

November 27, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1.	Long Term Facility – Fund Based - Cash Credit	11.00	IVR BB+ / Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Short Term Facility – Non Fund Based - Bank Guarantee	11.90	IVR A4+ (IVR A Four Plus)
	Total	22.90	

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid rating derives comfort from Reputed clientele, experienced management, moderate profitability and debt protection metrics. However, the rating is partially offset by the company’s short track record, customer concentration risk, restrictive covenants limiting freedom of operation and risk of delays in project execution.

Key Rating Sensitivities

Up factors:

- Significant improvement in scale of operations.
- Improvement in profitability

Down factors:

- Sharp changes in leverage
- Elongation of working capital cycle

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Reputed clientele

The company has an esteemed list of clientele; including Pantaloons, Aditya Birla Retail, Maharashtra State Power Generation Company and the Public Works Department. In the past the company has successfully completed the construction of a Decathlon store at Vilholi, Nashik, and other residential and commercial project in the state of Maharashtra.

Experienced Management

The company has an experienced top management, Mr. Gopal Atal, the founder of the company has been in the Real Estate and Construction industry for over 35 years having started with Prakash Constrowell as a Director then starting his own boutique real estate firm and holding positions as an Independent Director in various other firms.

Moderate profitability and debt protection metrics

The company's top line for FY19 was Rs. 57.57 Crore, an increase of 12% from FY18 (Rs. 51.47 crore). The EBITDA and PAT margins are at comfortable levels, standing at 8.43% and 3.77% respectively in FY19. The entity's capital structure remained at comfortable level as on March 31, 2019, as reflected by total outside liability to total net worth of 1.00 times (gearing of 0.60 times) due to low levels of debt. The entity's debt-coverage metrics also remained strong in FY2019 owing to low debt levels and healthy profitability, as reflected by interest coverage of 2.47 times.

Key Rating Weaknesses

Short track record

The company was incorporated in the year 2012, and they were majorly piggybacking on Prakash Constrowell as a sub-contractor and have not been able to source any large projects.

Customer concentration risk

The major concern for the company is that its customers and base of operations are only confined to a single state, eventually there will come a time when they will have to expand their horizons to increase their profitability. They have mostly relied on being a sub-contractor for Prakash Constrowell during the initial stages of their formation, post which they have inclined towards earning government contracts (owing to the fact that they have earned the "Class 1 A" classification with the Public Works Department of Maharashtra).

Restrictive covenants limiting freedom of operations

The covenants attached to the sanction agreement that the company has with State Bank of India. These covenants restrict the company's operations by forcing them to take actions which are deemed to be conservative, the objective of these covenants are nothing but protecting the interest of the lender. These covenants can have debilitating effects on the borrower, as in this

case most of the operations and even projections are monitored by the lender, and the provisions of the covenants dictate that any changes in the management structure, changes in operations or amendments to the debt structure should be informed to the lender 60 days prior to exercising any changes.

Risk of delays in project execution

The value of a project is measured by the ability of the entity to complete any project in a timely manner and with all committed specifications. Any delays in project execution can have a negative impact on collections from customers and saleability of projects, which can lead to low funding ability which would lead to further constraints in the execution process. And with stringent norms that govern today's real estate sector, the completion time of projects have gone up as the developers have to go through levels of screening procedures for a single project. A long list of compliance procedures that require builders to provide detailed information about a project they want to launch, land records and allied permits have slowed down the application process which subsequently trickles down to the time taken to complete a project.

Analytical Approach & Applicable Criteria

Standalone Approach

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

Liquidity is adequate, characterised by a moderate cushion in gross cash accruals of Rs. 2.60 crore in FY19 and a cash balance of Rs.0.03 crore as on March 31, 2019, supported by an above unity current ratio. The average utilisation of the bank limits was moderate at around 80.00% since March 2019, providing some buffer to manage liquidity.

About the Company

Atal Realtech Private Limited was incorporated in the year 2012 under the leadership of Mr. Gopal P. Atal; for undertaking various construction activities majorly as a sub-contractor to Prakash Constrowell Ltd – a company listed in the BSE as well as a contractor for various private institutions, they provide engineering, procurement and construction services all from designing, procurement, construction, commissioning and handover of the project to the end-

user or owner. In earlier stages, the company used to jointly bid for projects in the name of M/s Prakash Constrowell Ltd and M/s Atal Realtech Private Limited would do the actual work. The management is led by Mr. Vijaygopal P. Atal (Director) with business experience of over 2 decades; he is also supported by Mr. Nishit V. Atal who is the purchase director of the company. Atal Realtech has recently been assigned as a class 1A contractor under the Public Works Department of Maharashtra, they can undertake government contracts up to the limit of Rs. 20Cr. M/s Atal Realtech holds an upper hand vis-à-vis its competitors mainly due to its association with Prakash Constrowell and the experience and expertise of its promoters, hence benefitting from significantly better business prospects than their counterparts.

Financials

(Rs. crore)

For the year ended/ As On	31-03-2018	31-03-2019
	(Audited)	(Audited)
Total Operating Income	51.47	57.57
EBITDA	4.83	4.85
PAT	2.30	2.20
Total Debt	9.37	14.90
Tangible Net-worth	9.60	24.95
Ratios		
EBITDA Margin (%)	9.39	8.43
PAT Margin (%)	4.45	3.77
Overall Gearing Ratio (x)	0.98	0.60

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Limits – CC	Long Term	11.00	IVR BB+/ Stable Outlook	--	--	--
2.	Non Fund Based – Bank Guarantee	Short Term	11.90	IVR A4+	--	--	--

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.

Name and Contact Details of the Rating Team:

Name: Rajath Rajpal

Name: Sriram Rajagopalan

Tel: (022) 62396023

Tel: (022) 62396023

Email: rjajpal@infomerics.com

Email: srajagopalan@infomerics.com

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. Company’s long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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 Fund Based Limits – Cash Credit	--	--	--	11.00	IVR BB+/Stable Outlook
Short Term Non Fund Based – Bank Guarantee	--	--	--	11.90	IVR A4+