



## Press Release

**Advance Infrastructure Pvt. Ltd.**

**April 15, 2021**

### **Ratings**

Sl. No.	Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	16.50	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
2.	Short Term Bank Facilities	43.50	IVR A3 (IVR A Three)	Assigned
	<b>Total</b>	<b>60.00</b>	<b>INR Sixty Crores Only</b>	

### **Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The ratings assigned to the bank facilities of Advance Infrastructures Pvt. Ltd. (AIPL) considers extensive experience of the promoters in the oil and gas EPC sector, established relationship with reputed clientele and healthy order book indicating satisfactory near to medium term revenue visibility. The ratings also note significant improvement in scale of operations of the Company over the past three fiscals and its comfortable capital structure. However, these rating strengths remain constrained due to its exposure to competition and tender based nature of operations, vulnerability to economic and industrial cyclicality of the Oil and Gas sector, exposure to contract execution risk and working capital intensive nature of operations.

### **Key Rating Sensitivities**

#### **Upward Factors:**

- Improvement in revenue with improvement in profitability on a sustained basis
- Improvement in capital structure and/or improvement in debt protection metrics
- Improvement in working capital management with improvement in operating cycle and liquidity

#### **Downward Factors:**

- Moderation in revenue and/or moderation in profitability impacting the debt protection metrics



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- Moderation in the capital structure with deterioration in the overall gearing to over 1x and interest coverage ratio to below 2x
- Elongation in operating cycle impacting the liquidity

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths:

- **Experienced promoters**

The Company is promoted by Mr. Surendra Kumar Sharma who has extensive experience in the oil and gas EPC industry by the virtue of his association with Companies in the sector prior to establishing AIPL in 2006, which has helped the Company establish itself in the niche sector in a short period of time.

- **Established relationship with reputed clientele**

AIPL clientele includes major Oil and gas players such as Gail, Oil India Ltd, HPCL and BPCL which mitigates the counterparty credit risk to some extent.

- **Steady growth in scale of operations with improvement in cash accruals**

The company has achieved steady growth in its revenue at a CAGR of ~76% from FY17, to Rs.149.22 crore in FY20 from Rs. 27.20 crore in FY17 followed by a y-o-y growth of ~151%. The significant improvement in revenue is on account of steady inflow of orders and satisfactory execution off the same while maintaining a comfortable order book position. Moreover, with improvement in sale of operation the EBITDA of the company has also improved sharply over the past four fiscals from Rs. 2.97 crore in FY17 to Rs.11.48 crore in FY20. However, the EBITDA margin of the company moderated from 12.06% in FY19 to 7.70% in FY20 due to execution of relatively low margin orders (mainly subcontracting works which fetches relatively lower profit margin) and bidding with competitive pricing due to high competition in the operating spectrum. Further, the cash accruals of the company have also improved from Rs.0.50 crores in FY17 to Rs.6.62 crore in FY20. The Company has achieved a revenue of ~Rs.207 crore in FY21 (Estimated) with improvement in profit margins driven by higher execution of direct contracts.

- **Healthy order book position indicating satisfactory near to medium term revenue visibility**



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The Company has unexecuted order book of ~Rs. 762 crore as on March 31, 2021 which is to be executed with in next 2-3 years, thereby providing the Company with near to medium term revenue visibility.

- **Comfortable capital structure with adequate debt protection metrics**

The capital structure of the company improved considerably in FY20 with infusion of CCPS aggregating to Rs.10.01 crore. Total 35000 CCPS were issued at Rs. 2860 (including premium of Rs.2850). The CCPS is convertible into equity share at a ratio of 1:1 with a minimum lock in period of 7 years. With infusion of CCPS and accretion of profit to net worth the leverage ratios have improved considerably as on March 31,2020. Further, the debt protection metrics of the company also improved sharply with improvement in interest coverage and Total debt to GCA over the past fiscals.

### Key Rating Weakness:

- **Exposure of the intense competition and tender based job works**

The Company faces intense competition on account of customers being the same for all the players in the sector (i.e) the oil and gas PSU companies, which the Company acquires by bidding on the tenders, leading to muted bargaining power. However, the company mitigates the same by taking on sub-contracting jobs also.

- **Contract execution risk**

The Company is exposed to project execution risk of the pending order book, owing to the uncertainties in the EPC business. The ability of the Company to execute the projects without delay would be a key rating monitorable.

- **Vulnerability to economic and industrial cyclicality**

The Company's performance is linearly linked to the performance of Oil and gas industry. Any slowdowns in the sector affects the Company's performance directly.

- **Working capital intensive nature of operations**

The operations of the company remained working capital intensive as a large part of its working capital remained blocked in earnest money deposits, retention money and in fixed deposits issued for availment of bank guarantee. However, the company falls under MSME category where it is entitled to receive its dues within 45 days which imparts comfort. However, the debtors of the company include retention money hence the average collection period stood at 100 days (including retention money aggregating to Rs.21.75 crore as on March 31,2020) in FY20, excluding the retention



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money the average collection period stood at 73 days. Further, Operating cycle of the Company has improved to 77 days in FY20 from 151 days in FY19 on account of overall improvement in average debtor's collection period and average inventory holding days.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

**Liquidity Position: Adequate**

The liquidity position of the Company is expected to remain adequate in the near to medium term marked by its expected sufficient accruals vis-à-vis its debt repayment obligations. The Company has earned a gross cash accrual of Rs.6.62 crore while the debt repayment of the Company stood at Rs. 2.84 crs in FY20. Further, the Company is expected to earn gross cash accruals in the range of ~Rs.15-Rs.16 crore as against its minimal debt repayment obligations in the range of ~Rs.1.50-2.50 crore during FY22-23. Further, the Company does not have any major capex plan in the projected tenure which imparts comfort. Moreover, average fund-based utilisation of the company stood ~75% in the past 12 months ended January, 2021 indicating an adequate liquidity buffer

**About the Company**

Incorporated in 2006, by Mr. Surendra Kumar Sharma (promoter director and CEO), Advanced Infrastructure Pvt. Ltd. (AIPL) with its registered offices located in Vadodara, Gujarat is a company specializing in the field of cross-country pipeline, city gas distribution network, Civil & Infrastructure and Telecom and Power Transmission projects. The Company undertakes turnkey projects including sourcing of procurement, inspection and integration of local fabrication, utilities, equipment and mobilization of local services through bidding on tenders and through sub-contracting job works. The Company is ISO 9001:2015 certified and OHSAS 18001:2007 certified for health, safety, and environment policies.



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### Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	59.40	149.22
EBITDA	7.14	11.48
PAT	2.52	5.64
Total Debt	14.98	18.19
Tangible Net worth	9.83	25.57
EBITDA Margin (%)	12.06	7.70
PAT Margin (%)	4.24	3.78
Overall Gearing Ratio (x)	1.52	0.71

\*Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** India Ratings vide press release 20 Dec 2018 has migrated the rating of the Company to Issuer Not Cooperating category based on the non-cooperation of the rated entity to provide adequate information for the review of the ratings.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Ratings	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.	Cash Credit	Long Term	11.50	IVR BBB-/ Stable	-	-	-
2.	Cash Credit - Proposed	Long Term	5.00	IVR BBB-/ Stable	-	-	-
3.	Non Fund Bank Guarantee	Short Term	21.50	IVR A3			
4.	Non Fund Bank Guarantee - Proposed	Short Term	22.00	IVR A3	-	-	-

**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](http://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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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating / Outlook
Cash Credit	-	-	-	11.50	IVR BBB-/ Stable
Cash Credit – Proposed	-	-	-	5.00	IVR BBB-/ Stable
Bank Guarantee	-	-	-	21.50	IVR A3
Bank Guarantee -	-	-	-	22.00	IVR A3



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Proposed					
Total				60.00	

**Annexure 2: Facility wise lender details (Hyperlink to be added)**

<https://www.infomerics.com/admin/prfiles/Lender-Advance-Infrastructures-Pvt-Ltd-15-04-21-.pdf>

