Press Release

Advance Infrastructure Private Limited

December 15, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	29.00 (Enhanced from 16.50)	IVR BBB-/ Stable (IVR triple B- with Stable outlook)	Rating revised and removed from Issuer Not Cooperating category	Simple
Short Term Bank Facilities	56.80 (Enhanced from 43.50)	IVR A3 (IVR A three)	Rating revised and removed from Issuer Not Cooperating category	Simple
Total	**85.80 (INR eighty-five crore and eighty lakh only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

Earlier Infomerics had moved the ratings of Advance Infrastructure Private Limited (AIPL) into Issuer Not Cooperating category vide it press release dated July 13, 2022, due to non-submission of information required for detailed review of the company. However, the company has started cooperating and submitted required information. Consequently, Infomerics has removed the rating from 'ISSUER NOT COOPERATING' category and revised the ratings.

The revision in the ratings assigned to the bank facilities of Advance Infrastructure Private Limited (AIPL) considers steady growth in scale of operations with improvement in cash accruals, comfortable capital structure with adequate debt protection metrics, and healthy order book position indicating satisfactory near to medium term revenue visibility. Further, the ratings continue to derive comfort from its experienced promoters, and established relationship with reputed clientele. However, these rating strengths are remains constrained due to its exposure to the intense competition and tender based job works, contract execution risk, vulnerability to economic and industrial cyclicity, 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 ratio
- 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
- Moderation in the capital structure with deterioration in the overall gearing over 1x and interest coverage ratio 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.

Steady growth in scale of operations with improvement in cash accruals

The Company has achieved steady growth in its revenue at a CAGR of ~44.67% from FY19-FY22. The company has witnessed a y-o-y growth of ~37.50% in FY21 and generated a total operating income of Rs.204.89 crore in FY21 (Rs.149.00 crore in FY20). The improvement in revenue in FY21 was on account of procurement of new tender and faster execution of the existing orders which was driven by government support to the oil and gas sector - listed under essential service during the nationwide lockdown of covid - 19, and availability of labour and material. However, the company's revenue dampened by ~12.50% in FY22 to Rs. 179.31 crore on account of labour constraint in the second and third wave of covid – 19 and slower movement of work orders in comparison to the previous year. The company has generated an absolute EBITDA of Rs.17.55 crore in FY21 (PY Rs. 11.48 crore) and Rs. 16.90 crore in FY22 respectively. It generated a PAT of Rs.9.40 crore in FY21 (PY Rs.5.64 crore) and Rs.7.96 crore in FY22 respectively and GCA of 10.87 crore in FY21 and 10.78 crore in FY22 respectively. In 8MFY2023, the company has registered a topline and EBITDA of Rs. 105.54 crore and Rs.11.78 crore, respectively, registering an y-o-y improvement of 17.73% and 37.61%, respectively. A sustained increase in topline and profits will be a key rating factor going forward.

Comfortable capital structure with adequate debt protection metrics

The capital structure of the company had remained comfortable with its satisfactory net worth base supported by its low reliance on external debt. Total debt of the company has increased to Rs. 26.91crore as on March 31, 2022, from Rs 21.70 crore as on March 31, 2021, on account of enhancement in the cash credit facility. However, TNW has witnessed a significant growth consistently on the back of increasing profit and healthy accretion of reserves, it stood at Rs. 43.59 crore as on March 31, 2022, and Rs. 35.06 crore as on March 31, 2021, as against Rs. 25.63 crore as on March 31, 2020. Consequently, the overall gearing has improved from 0.71 times as on March 31, 2020, to 0.62 times as on March 31, 2021, and remain unchanged at 0.62 times as on March 31, 2022. Overall indebtedness of the company marked by TOL/TNW has improved to 2.40 times as on March 31, 2022, against 2.56 times as on March 31, 2021. The debt protection metrics as witnessed by its interest coverage ratio (including LC/BG commission) stood comfortable. However, it has deteriorated marginally from 4.18 times in FY2021 to 3.92 times in FY2022 driven by moderation in the absolute EBITDA. DSCR though moderated, stood comfortable at 1.91 times in FY22 (PY 2.20 times).

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

As on November 28, 2022, the company has an order book outstanding position of Rs. 1128.00 crore (6.29x of FY2022 revenues) which is to be executed with in next 2-3 years, thereby providing the company with near to medium term revenue visibility.

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.

Key Rating Weaknesses

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 cyclicity

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. Retention money represents ~40% of the total debtor in FY2022 hence the average collection period stood at 122 days (including retention money aggregating to Rs.25.06 crore as on March 31,2022) in FY22. The operating cycle (days) of the company stood high at 94 days in FY2022 (PY 98 days). The average inventory period stood at 84 days in FY22 (PY 58 days) and the average creditors period stood at 113 days (PY 99 days) respectively.

Analytical Approach: Standalone

Applicable Criteria

[Rating Methodology for Manufacturing Companies]

[Financial Ratios & Interpretation (Non- Financial Sector)]

[Criteria for assigning rating outlook]

Liquidity – Adequate

The liquidity profile of AIPL is expected to remain adequate marked by its expected satisfactory cash accrual around ~Rs.18.61 crore to ~Rs.28.15 crore during FY23-25 vis -a-vis its debt repayment obligations ranging from ~Rs.4.07 crore to Rs.~5.71 crore. Further, on the back of its comfortable capital structure, the company has adequate gearing headroom. Average working capital utilisation was comfortable at 69% during the last 12 months ending in October 2022, which imparts satisfactory liquidity buffer. The non-fund-based limit utilisation remain comfortable at 72% as on November 28, 2022, providing sufficient cushion for new project execution.

About the Company

Incorporated in 2006, by Mr. Surendra Kumar Sharma (promoter director and CEO), Advanced Infrastructure Private Limited (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 3 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 work. The Company is ISO 9001:2015 certified and OHSAAS 18001:2007 certified for health, safety, and environment policies.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2021	31.03.2022
	Audited	Audited
Total Income	205.59	180.29
EBIDTA	17.55	16.90
PAT	9.40	7.96
Total Debt	21.70	26.91
Adjusted Tangible Net Worth	35.06	43.59
EBDITA Margin (%)	8.56	9.42
PAT Margin (%)	4.57	4.42
Overall Gearing Ratio (x) on Net Adjusted TNW	0.62	0.62

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: India Ratings continues to maintain the rating of Advance Infrastructure Private Limited in the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated September 22, 2017, last reviewed on October 19, 2022.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)				Rating History for the past 3 years		
		Type	**Amount outstanding (Rs. Crore)**	**Current Rating**	**Rating** July 13, 2022	**Date(s) & Rating(s) assigned in 2022-23**	**Date(s) & Rating(s) assigned in 2021-22** April 15, 2021	**Date(s) & Rating(s) assigned in 2020-21**
1.	Cash Credit	Long Term	29.00	IVR BBB-/ Stable	IVR BB+ ISSUER NOT COOPERATING*	-	IVR BBB-/ Stable	-
2.	Bank Guarantee	Short Term	53.80	IVR A3	IVR A4+ ISSUER NOT COOPERATING*	-	IVR A3	-
3.	Letter of Credit	Short Term	3.00	IVR A3	-	-	-	-

*Issuer did not cooperate; based on best available information

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Press Release

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit 1	-	-	-	11.50	IVR BBB-/ Stable
Cash Credit 2	-	-	-	10.00	IVR BBB-/ Stable
Cash Credit 3	-	-	-	7.50	IVR BBB-/ Stable
Bank Guarantee 1	-	-	-	21.50	IVR A3
Bank Guarantee 2	-	-	-	24.80	IVR A3
Bank Guarantee 3	-	-	-	7.50	IVR A3

Letter of Credit	-	-	-	3.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-AIPL-dec22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.