



## Press Release

### A K Shivhare Infrastructure Private Limited

**March 28, 2024**

#### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Rating</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Long Term Bank Facilities	26.00	IVR BBB; Stable (IVR Triple B with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	149.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
<b>Total</b>	<b>175.00</b> <b>(Rupees One hundred and seventy five crore only)</b>			

**Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The ratings assigned to the bank facilities of A K Shivhare Infrastructure Private Limited (AKSIPL) derives comfort from its experienced promoters coupled with proven project execution capability, reputed clientele and strong order book position reflecting healthy near to medium term revenue visibility. The rating also positively notes stable financial performance of the company in FY2023 and subsequently in 9MFY2024 along with comfortable capital structure and satisfactory debt coverage indicators. However, these rating strengths are partially offset by susceptibility of operating margin to volatile input prices, tender driven nature of business in highly fragmented & competitive operating scenario and exposure to geographical & sectoral concentration risk.

#### **Key Rating Sensitivities:**

##### **Upward Factors**

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity.
- Sustenance of the capital structure with improvement in debt protection metrics.
- Steady flow of orders & timely execution of the same on a sustained basis.

##### **Downward Factors**

- Moderation in scale of operations and/or profitability growth impacting the liquidity profile on a sustained basis.
- Moderation in the capital structure with moderation in the overall gearing to over 1x



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Experienced promoters

The founder promoter of the company, Mr. Anil Kumar Shivhare have an experience of over two decades in the civil construction industry. Mr. Arun Kumar Shivhare, civil engineer by qualification, also has an industry experience of around 17 years while Mr. Abhishek Shivhare, B.E. in engineering by qualification have an experience of around eight years in the sector. All the directors are actively involved in managing the overall operations of the company along with the support of experienced and qualified personnel. Further, the company has a long and demonstrated track record of construction of roads and bridges on EPC basis. The company is registered as class 'A' contractor with Public Works Department (PWD) of Madhya Pradesh. The company majorly has presence in Madhya Pradesh, Manipur and Maharashtra.

##### Proven project execution capability

Over the past years, the company has successfully completed many projects across Madhya Pradesh, Manipur and Maharashtra and ensured timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities.

##### Reputed clientele indicating lower counter party credit risk

AKSIPL mainly bids for tenders floated by various government departments/entities majorly in the road construction sector across Madhya Pradesh, Manipur and Maharashtra. Hence, the counter party credit risk remains relatively low for the company, though timely receipt of bill payments from government, semi-government agencies is dependent on their timely receipt of sanctioned funds from higher authorities.

##### Strong order book position reflecting a healthy near to medium term revenue visibility

AKSIPL has unexecuted orders of ~Rs.1166.78 crore as on February 25, 2024, translating into 4.50 times of its FY2023 standalone revenue, thereby providing healthy medium-term revenue visibility. These orders have been received from government departments and spans across states of Madhya Pradesh, Manipur and Maharashtra. Though the order book is expected to be executed over next 2-3 years, however, timely completion of the same would remain a key monitorable.

##### Stable financial performance in FY2023 and in 9MFY2024

The revenue decreased in FY2022 to Rs.200.10 crore from Rs.229.81 crore in FY2021 due to delays in receipt of rights of way (ROW) from the department owing to COVID induced



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lockdown restrictions. However, with ease of lockdown restrictions, the company posted a significant growth in its top line in FY2023. Total operating income (TOI) witnessed a y-o-y growth of ~30% from Rs.200.10 crore in FY2022 to Rs.259.14 crore in FY2023 driven by higher execution of orders in FY2023. The EBITDA margin remained range bound between 10-10.50% during the last three fiscal years ended FY2023. With increase in absolute profits, PAT increased from Rs.8.74 crore in FY2022 to Rs.10.67 crore in FY2023. Consequently, gross cash accruals also improved from Rs.14.44 crore in FY2022 to Rs.16.86 crore in FY2023. Further, TOI improved marginally from Rs.173.76 crore during 9MFY2023 to Rs.179.40 crore during 9MFY2024 driven by higher execution of orders in the current fiscal year. The company's ability to increase its scale of operations and overall profitability will be a key rating monitorable going forward.

### **Comfortable capital structure coupled and satisfactory debt coverage indicators in FY2023**

The capital structure of the company remained comfortable over the past three fiscals marked by its satisfactory leverage ratios. Long term debt equity ratio and overall gearing remained comfortable at 0.20x and 0.38x respectively as on March 31, 2023, as against 0.20x and 0.37x respectively as on March 31, 2022. With increase in absolute profits, Interest coverage ratio improved and remained comfortable at 4.47x in FY2023 (4.21x in FY2021). Total debt/EBITDA and Total debt/GCA also remained comfortable at 1.22x (1.28x as on March 31, 2022) and 1.90x (1.88x as on March 31, 2022) respectively as on March 31, 2023. Total indebtedness as reflected by TOL/TNW remained comfortable at 0.89x as on March 31, 2023.

### **Favourable demand potential for road infrastructure projects**

India has the one of largest road network across the world, spanning over a total of 5.5 million km with gradual increase in road transportation over the years attributable to improvement in connectivity between cities, towns and villages in the country. The government, through a series of initiatives, is working on policies to attract significant investor interest. AKSIPL being mainly in road construction likely to be benefitted in near to medium term the increased thrust of the government in developing the road infrastructure.

### **Key Rating Weaknesses**

#### **Susceptibility of operating margin to volatile input prices**

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including sub-



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contracting) cost forms the majority chunk of the total cost of sales for the company. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost. However, the presence of escalation clause (for raw materials) in most of the contracts protect the margin to an extent.

### **Tender driven nature of business in highly fragmented & competitive operating scenario**

AKSIPL's business is dependent on the company's ability to successfully bid for the tenders. Further, the domestic infrastructure/construction sector is highly fragmented with the presence of many players with varied statures & capabilities. This restricts AKSIPL's operating and financial flexibility.

### **Geographical and sectorial concentration risk**

A major portion of AKSIPL's total revenue is derived from road construction projects across various states thereby exposing the company to sectoral concentration risk. The company is exposed to the risk of a reduction in workflow in case of any prolonged down-cycle in the road construction sector. Also, the present order book is majorly skewed towards road construction in Madhya Pradesh, Manipur and Maharashtra from various government departments indicating a geographical and sectorial concentration risk. However, the company's management has adequate experience in order to execute projects which provides comfort. The contracts are expected to be completed in the next 2-3 years.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Criteria for assigning Rating Outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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

[Policy of default recognition](#)

[Criteria on complexity](#)

### **Liquidity – Adequate**

The liquidity profile of the company is expected to remain adequate in the near to medium term marked by expected sufficient cash accruals vis-à-vis its debt repayment obligations. The overall gearing remained comfortable at 0.38x as on March 31, 2023, indicating a healthy gearing headroom. Further, the average utilisation of fund based working capital limits for the last twelve months ended December 31, 2023, remained low at ~59% indicating adequate



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liquidity buffer. The average utilisation of non-fund-based limits also remained moderate at ~81% in the last twelve months ended December 31, 2023. The current ratio also remained comfortable at 1.92x as on March 31, 2023.

### **About the Company**

Incorporated in 2011, A K Shivhare Infrastructure Private Limited (AKSIPL) was earlier established as a partnership firm in 2001 under the name "M/s. A K Shivhare and Company" and subsequently converted into a private limited company in 2011. AKSIPL is engaged in civil construction of roads and bridges for government departments. The company is registered as class 'A' contractor with Public Works Department (PWD) of Madhya Pradesh. The company majorly executes projects in the State of Madhya Pradesh, Manipur and Maharashtra.

### **Financials (Standalone):**

	(Rs. Crore)	
For the year ended / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	200.10	259.14
EBITDA	21.16	26.31
PAT	8.74	10.67
Total Debt	27.18	32.07
Tangible Net worth	73.43	84.06
EBITDA Margin (%)	10.58	10.15
PAT Margin (%)	4.32	4.09
Overall Gearing Ratio	0.37	0.38
Interest Coverage (x)	4.21	4.47

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

### **Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	26.00 *	IVR BBB; Stable	-	-	-
2.	Overdraft	Short Term	6.50	IVR A3+	-	-	-
3.	Bank Guarantee	Short Term	142.50	IVR A3+	-	-	-

*\*As per the consortium arrangement among the bankers, fund-based limits are interchangeable with the non-fund-based limits. As per the sanction letter of the lead bank (PNB), for assessment*





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*of WC limits on behalf of consortium of Fund based working capital (Cash Credit) Limit of Rs.22.50 crore and Non fund based working capital (Bank Guarantee) Limits of Rs.152.50 crore.*

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### **About Infomerics:**

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

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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 Assigned/ Outlook
Cash Credit	-	-	-	26.00 *	IVR BBB; Stable
Overdraft	-	-	-	6.50	IVR A3+
Bank Guarantee	-	-	-	142.50	IVR A3+

*\*As per the consortium arrangement among the bankers, fund-based limits are interchangeable with the non-fund-based limits. As per the sanction letter of the lead bank (PNB), for assessment of WC limits on behalf of consortium of Fund based working capital (Cash Credit) Limit of Rs.22.50 crore and Non fund based working capital (Bank Guarantee) Limits of Rs.152.50 crore.*

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

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-AKShivhare-mar24.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](http://www.infomerics.com).