AMR India Limited

February 06, 2025

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	207.73	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	-	Assigned	Simple
Short Term Bank Facilities	360.33	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	**568.06 (Rupees five hundred and sixty-eight crore and six lakhs only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of AMR India Limited (AMRIL) derives comfort from its long track record of operation under experienced promoters, proven project execution capability and adequate order book size indicating a satisfactory near to medium term revenue visibility. The ratings also consider sustained improvement in business performance of the company marked by growth in revenue and profitability, comfortable capital structure with adequate debt protection metrices and complete exit from Corporate Debt Restructuring (CDR). However, these rating strengths are partially offset by nascent stage of major contracts leading to execution risk, exposure to geographical and sectorial concentration risk, susceptibility of operating margin to volatile input prices and tender driven nature of business with presence in highly competitive industry. The ratings also note large working capital requirements of the company with sizeable non-fund-based exposure.

The stable outlook reflects expected stable business performance of the company underpinned by its strong order book position which is expected to aid growth in scale of operations and profitability in the near term.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operation attributable to ramp up of production as per contractual commitments with improvement in profitability and cash accruals on a sustained basis
- Sustenance of the capital structure with further improvement in debt protection metrics
- Diversification in orderbook

Downward Factors

- Inability to ramp up production as per contractual commitments, leading to sub-optimal earnings and debt coverage indicators
- Any unplanned capex leading to moderation in the capital structure marked by moderation in overall gearing to over 1x and/or moderation in debt protection metrics marked by moderation in interest coverage to below 2x
- Moderation in liquidity marked by elongation in operating cycle

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operation under experienced promoters

Being in operation since 1992, the company has longstanding track record of over three decades in mining and civil construction business. The company is promoted by Mr. A. Mahesh Reddy and family. The promoters' have long-standing experience in the construction sector for over three decades and is associated with the company since inception. The promoters' experience along with their strong understanding of construction industry and healthy relationship with customers and suppliers is expected to continue to support the business going forward. All the promoters together look after the overall operation of the company along with adequate support from team of qualified professionals. Further, the promoters have infused funds at regular intervals to support the business operation over the past three fiscal years.

Proven project execution capability

Over the past years, AMRIL has successfully completed many projects across the state of Telangana, Andhra Pradesh, Bihar, Karnataka and Jharkhand and ensured timely completion of all of its projects. The repeat orders received from the government entities validate its construction/ MDO capabilities.

Adequate order book size

AMRIL is engaged in mining, irrigation and civil construction segment with a concentration in mining sector. The company is having a total order book of ~Rs.76063.60 crore as on December 31, 2024, which is ~42x of its FY24 [FY refers to the period from April 01 to March 31] revenue comprising orders from mining, irrigation and civil construction segment. Mining projects accounts for major portion of the order book and has long tenure agreement of around 30 years indicating long term revenue visibility. The other segments of the order book are irrigation and construction of roads which account for only ~3% of the total order book and is ~1.23x of FY24 revenue. Mining Projects are having long terms contract of 30 years whereas other projects having short terms contract ranging from 1 years to 3 years. During FY 24 company generated 60% of revenue from mining and rest from other projects. The irrigation and construction contracts are expected to be executed in next 12-36 months ensuring a near to medium term revenue visibility. Any delays in the execution of the irrigation and construction orders shall affect the revenue visibility of the company significantly in the near term. In case of irrigation contracts the counterparty default risk remains low, considering that most of the orders have been awarded by state governments, though the risk of delay in collection remains.

Sustained improvement in business performance marked by growth in revenue and profitability

The total operating income (TOI) of AMRIL has witnessed an increasing trend over the last three fiscals [FY22 (Audited) - FY24 (Audited)] at a CAGR of ~14%. The TOI has increased by ~19% in FY23 to Rs.1652.98 crore from Rs.1384.50 crore in FY22 and subsequently by ~8% in FY24 to Rs.1791.57 crore. The revenue is driven by stabilization of the mining project from Telangana State Power Generation Corporation Limited (TSGENCO) leading to ramp up of production. The EBITDA margin remained erratic over the past three fiscals and stood satisfactory at ~15% in FY24. Further, the PAT margin also remained healthy at 6.81% in FY24. On the back of healthy profitability, the company has earned a gross cash accrual of ~Rs.159 crore in FY24. Infomerics expects that the scale of operations will sustain in the medium term on the back of strong order book position and healthy execution capabilities. In 9MFY25, the company achieved a revenue of ~Rs.1400 crore.

Comfortable capital structure with adequate debt protection metrices

AMRIL has a healthy capital structure marked by its robust net worth base leading to comfortable leverage ratios. The company has an adjusted tangible net worth (ATNW) base of Rs. 754.80 crore as on March 31, 2024 (excluding investment and loans and advances to group companies amounting to Rs. 203.73 crore as on March 31, 2024). The leverage ratios remained comfortable over the past three years marked by overall gearing of 0.53x as on March 31, 2024, against 0.50x as on March 31, 2023. Moreover, overall indebtedness of the company as reflected by TOL/ATNW has also remained satisfactory at 1.57x as on March 31, 2024 (1.34x as on March 31, 2023). The debt protection metrics of the company have also remained comfortable over the past three fiscal years. The interest coverage ratio has improved from 3.24x in FY23 to 3.31x in FY24 owing to the decline in interest and finance charges. Furthermore, Total Debt/EBITDA and Total debt/NCA have also remained comfortable at 1.50x and 2.53 years respectively as on March 31, 2024, though moderated due to elevated debt level from 1.19x and 2.38 years respectively as on March 31, 2023. Infomerics Ratings believes that the financial risk profile of the company will continue to remain healthy in the near term.

Complete exit from Corporate Debt Restructuring (CDR)

The company underwent corporate debt restructuring in 2013-14 due to cash flow mismatch attributable to elongated collection period. However, gradually with improvement in better collection efficiency from one of its key mining projects the liquidity position of the company has improved. Furthermore, after payment of ROR, company received "provisional CDR exit" letter from its lenders. Thereafter on payment of complete recompense amount the company exited completely from CDR as on March 20, 2024, and achieved renewal in its bank limits thereafter. The existing lenders have also not stipulated any conditions in terms of cooling period for enhancement of limits.

Key Rating Weaknesses

Nascent stage of major contracts leading to high execution risk

AMRIL has recently acquired long-term mining contracts (MDO) from Tenughat Vidyut Nigam Limited (TVNL) of Rs.42000 crore (appointed: October 2024, 28 years contract to be ended in September 2052) and from Haryana Power Generation Corporation limited of Rs.15783 crore (appointed: November 2024, 30 years contract to be ended in November 2054).

Accordingly, the company is exposed to high project execution risk, given that ~76% of the order book as on December 31, 2024, is in the nascent stages of execution. Infomerics Ratings notes that obtaining the requisite approvals and satisfactory execution for all the new and existing orders will remain a key monitorable for maintaining medium-term revenue visibility.

Exposure to geographical and sectorial concentration risk

The present order book is majorly skewed towards mining activity in the state of Telangana, and Jharkhand, from various government departments indicating a geographical and sectorial concentration risk. However, the company has adequate experience to execute projects in these states which provides a comfort.

Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are stone, asphalt/bitumen, cements and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost forms the majority chunk of the total cost of sales in this industry. As the raw material prices & labour cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour cost. However, presences of escalation clause (for raw materials) in most of the contracts protect the margin to an extent.

Tender driven nature of business with presence in highly competitive industry

The company participates in the tender passed by the government for civil construction, irrigation and mining projects. Hence, the entire business prospects are highly dependent on the government policies and tenders floated by the government. Further, the construction industry is highly fragmented in nature with presence of large number of unorganized players and a few large, organized players.

Large working capital requirements and sizeable non-fund-based exposure

AMRIL has high working capital requirements since the scale of operations is large and not commensurate with the available limits. Further, in view of newly acquired MDO contracts the working capital requirements is likely to go up further in the near term. Any delays in the tie-up of enhancements in working capital limits will remain critical from the credit perspective. Furthermore, AMRIL is vulnerable to sizeable contingent liabilities in the form of bank guarantees. The company's funding requirements in terms of non-fund-based limits, along with associated margins and collateral, are likely to increase, given the healthy pace of order execution and the expected rise in bidding going forward.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity profile of AMRIL is expected to remain adequate as the company is expected to generate adequate gross cash accruals to serve its debt obligations during FY25-FY27. Besides, the company also has a healthy gearing headroom marked by overall gearing ratio of 0.53x as on March 31, 2024. Moreover, the company has free cash and fixed deposits aggregating to Rs. 47.12 crore as on December 31, 2024, which is also expected to support the liquidity. The average fund-based utilization of the company also remained moderate at ~76% during the past 12 months ended in December 2024 indicating sufficient liquidity buffer for the company. However, any impending capex requirements or any unexpected cash outflows emanating from the company buying out the stake of lenders, is likely to impact the overall liquidity profile and will remain a key monitorable.

About the Company

AMR India Limited (AMRIL), was established in 1992 as a partnership firm for executing civil works in mining and industrial infrastructure segment, and subsequently became AMR Constructions Limited (AMRCL), a public limited company in 2001. The name was further changed to AMR India Ltd during FY12. The company operates in mining, irrigation, civil construction, and industrial infrastructure segments having its registered office in Hyderabad. The company has major focus in Mining Developer-cum-Operator (MDO) contracts. The company is promoted by Mr. A. Mahesh Reddy and family. The company has three subsidiaries, AMR Malind Infra Pvt Ltd (presently has no operation), AMR Green Renewables Pvt Ltd (engaged in power generation) and AMARA Avenues Pvt Ltd (engaged in civil construction). Besides, AMRIL holds 26% stake in KBP Mining Pvt Ltd (KBP) which is a SPV between Power Mech Projects Limited (74%) and AMRIL. KBP is engaged in development and operation of Kotre-Basantpur Pachmo Opencast coal project, located in West Bokaro Coalfield (Jharkhand), with a production capacity of 5 million tonnes per annum (5 MTPA) for a period of 25 years on MDO mode.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	1652.98	1791.57
EBITDA	273.46	269.44
PAT	100.21	122.97
Total Debt	325.95	403.13
Tangible Net Worth	799.05	958.53
Adjusted Tangible Net Worth	646.80	754.80
EBITDA Margin (%)	16.54	15.04
PAT Margin (%)	6.05	6.81
Overall Gearing Ratio (x)	0.50	0.53
Interest Coverage (x)	3.24	3.31

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: The ratings of AMRIL was moved to ISSUER NOT COOPERATING category by Care Edge as per Press Release dated March 04, 2024, due to unavailability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					-	-	-
1.	Cash Credit	Long Term	207.73	IVR BBB-; Stable	-	-	-
2.	Bank Guarantee	Short Term	360.33	IVR A3	-	-	-

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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.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	207.73	IVR BBB-; Stable
Bank Guarantee	-	-	-	-	360.33	IVR A3

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-AMR-India-feb25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.