



Press Release

AVP Infracon Limited (erstwhile AVP Constructions Private Limited)

May 28, 2024

Ratings

Instrument/ Facility	Amount (INR crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	12.50	IVR BB/ Stable (IVR double B with Stable outlook) withdrawn	Rating reaffirmed and withdrawn	Simple
Short Term Bank Facilities	4.00	IVR A4+ (IVR A four plus) withdrawn	Rating reaffirmed and withdrawn	Simple
Total	16.50 (INR sixteen crore and fifty lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has reaffirmed and withdrawn the outstanding long-term rating of 'IVR BB/ Stable (IVR double B with Stable outlook) and short-term rating of 'IVR A4+ (IVR A four plus) assigned to the bank facility of AVP Infracon Limited (AVPIL) with immediate effect. The reaffirmation of the ratings assigned to the bank facilities of AVPIL considers the long experience of the promoters coupled with reputed clientele and improvement in business risk profile buoyed by growth in scale of operation and profitability margins. These strengths are offset by weak order book Position, weak financial risk profile marked by leveraged capital structure, exposure to intense competition and high geographical and sectoral concentration risks. The withdrawal has been taken at the request of AVP Infracon Limited and 'No Objection Certificate' received from Federal Bank that have extended the facilities rated by Infomerics. The rating is withdrawn in accordance with Infomerics' policy on withdrawal. Link to the withdrawal policy is provided below.

Key Rating Sensitivities:

- **Upward Factors**

- Significant growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.



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- Execution of orders in hand within stipulated time frame and collection of receivables in a timely and regular basis
- Sustained improvement in capital structure and debt coverage indicators
- **Downward Factors**
 - Any sizeable de-growth in scale of operations and/or profitability from present level thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
 - Delays in execution of orders beyond stipulated time frame and delay in receipt of collection of receivables from customers on a sustained basis.
 - Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long experience of the promoters coupled with reputed clientele**

The promoters of the company Mr. D Prasanna and Mr. B Venkateshwarlu for fifteen years of association with the civil construction industry and has established healthy relationship with its raw material suppliers. Long experience of the company's promoters and its established track record of operation strengthens the business risk profile of the company. The entity benefits from its proven track record to get repeat orders from government agencies such as Rural Road and Highways, NHAI etc, this in turn mitigates the counterparty credit risk to some extent.

- **Improvement in business risk profile buoyed by growth in scale of operation and profitability margins**

The company has achieved revenues of Rs.106.86 Cr in FY2023 as compared to Rs.64.03 Cr in FY2022, thereby registering a y-o-y growth of 66.90 per cent. Further, the company has achieved revenues of around Rs.69.19 Cr till October 2023 (Provisional). The growth in top line is on account of better order execution as well as thrust in the infrastructure sector. The profitability margins of the company increased significantly primarily on account of reduction of providing subcontracting work and owning of machineries instead of leasing. EBITDA margin of the company increased to 19.47% in FY2023 from 16.25% in FY2022. PAT margin increased to 10.75% in FY2023 from 4.32% in FY2022. The RoCE for the



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company of stood comfortable at 30.36 per cent in FY2023 as against 19.08 per cent in FY2022. The sustainability in profitability margins will be a key rating monitorable, going forward.

Key Rating Weaknesses

- **Weak order book Position**

The company has a weak unexecuted order book position as on 31st March 2023 to the tune of about Rs.171.82 Cr, which is only 1.6 times of the revenue of FY2023. Infomerics notes that the company's ability to add new orders going forward and timely completion of new and existing orders will be key rating monitorable.

- **Weak financial risk profile marked by leveraged capital structure**

The capital structure of the company is highly leveraged. The tangible net worth (TNW) of the company improved to Rs.24.94 Cr as on March 31, 2023, from Rs.9.74 Cr as on March 31, 2022, due to accretion of reserves. Gearing of the company stood high at 2.20x times as on March 31, 2023, as against 3.25x as on March 31, 2022. However, the Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.30x as on March 31, 2023, as against 2.41x as on March 31, 2022. The debt protection metrics of AVPIL stood comfortable marked by Interest Coverage Ratio at 5.60x as on March 31, 2023, and Debt Service Coverage Ratio at 4.71x as on March 31, 2023. However, the total debt/EBITDA stood high at 2.64x as on March 31, 2023. The financial risk profile of the company will remain at similar level backed by steady accruals and no major debt funded capex plans in the medium term.

- **Exposure to intense competition and tender based nature of operations**

The firm is a civil contractor working on government tenders, as the entry barriers in the sector are low there are multiple players present thereby exposing the firm to intense competition. Additionally, as the firm acquires job works through tendering process, the exposure to intense competition mutes the bargaining power of the firm.

- **High geographical and sectoral concentration risks**

Majority of the current order book are concentrated in the single state of Tamil Nadu which leads to high geographical concentration. Moreover, the operations of the company are primarily limited to road construction projects which leads to high sectoral concentration.



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Analytical Approach: Standalone

Applicable Criteria:

[Policy on Withdrawal of ratings](#)

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)

Liquidity – Adequate

The company will maintain adequate liquidity position going forward due to consistently increased accruals. The steady net cash accruals stood at Rs.13.79 Cr as on March 31, 2023, as against no such long term debt repayment over the same period. The cash and bank balances of the company stood at Rs.6.58 Cr as on March 31, 2023. However, the current ratio stood comfortable at 1.46x as on March 31, 2023, and the Quick Ratio stood below average at 0.57x as on March 31, 2023. Further, the average fund-based limit remains utilised at around 81% over the thirteen months ended April 2024. Going forward, the company is likely to maintain adequate liquidity position supported by steady accruals.

About the Company

AVP Infracon Limited (AVPIL) was set up as AVP Constructions Private Limited in September 2009. On October 6, 2023, it was renamed as AVP Infracon Private Limited and then later it was reconstituted as a as a limited company with the current name as AVP Infracon Limited on October 20, 2023. Promoted by Mr. D Prasanna and Mr. B Venkateshwarlu, AVPIL offers infrastructure services ranging from large-scale infrastructure projects to individual special projects, in Tamil Nadu. The construction work involves earthworks, foundation works, piling and foundation reinforcement, tunnelling and underground construction, harbor construction and dredging, municipal engineering, and the construction of streets, roads, bridges and cavern facilities. In Infrastructure maintenance, the company is involved in upkeeping roads, streets and the rail network, including related structures such as bridges. It offers long-term



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maintenance agreements where pricing is influenced by the usability of the route and service quality.

Financials: Standalone

(INR crore)

For the year ended* / As On	31.03.2022	31.03.2023
	Audited	Audited
Total Operating Income	63.89	106.86
EBITDA	10.27	20.81
PAT	2.44	11.52
Total Debt	31.67	54.85
Tangible Net worth	9.73	24.94
EBITDA Margin (%)	16.07	19.47
PAT Margin (%)	3.80	10.75
Overall Gearing Ratio (x)	3.25	2.20

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (April 05, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (March 23, 2022)
1.	Cash Credit	Long Term	12.50	IVR BB/Stable Withdrawn	IVR BB/Stable	-	IVR BB/Stable
2.	Bank Guarantee	Short Term	4.00	IVR A4+/Stable Withdrawn	IVR A4+/Stable	-	IVR A4+/Stable

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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 visit www.infomerics.com

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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
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Cash Credit	-	-	-	12.50	IVR BB/Stable Withdrawn
Bank Guarantee	-	-	-	4.00	IVR A4+/Stable Withdrawn

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

Annexure 3: Facility wise lender details

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.