



Press Release

Adhunik Construction Company

January 22, 2025

Ratings

Security / Facility	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	5.79	IVR BB; Stable (IVR Double B with Stable outlook)	-	Assigned	Simple
Short Term Bank Facilities	25.00	IVR A4 (IVR A Four)	-	Assigned	Simple
Total	30.79 (Rupees Thirty crore and seventy-nine 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 Adhunik Construction Company (ACC) derives comfort from long track record of the proprietor in construction segment, satisfactory order book position indicating a near to medium term revenue visibility and satisfactory financial risk profile of the entity. However, these rating strengths are partially offset by its modest scale of operation, revenue concentration risk, exposure to intense competition in a fragmented industry with a tender-based contract-awarding system restricting the firm's margins, risks associated with proprietorship nature of constitution, slow progress in the ongoing projects and susceptibility of profit margins to input price fluctuations.

The stable outlook reflects that the business performance of ACC will continue to remain stable in the near to medium term backed by its adequate order book and established project execution capabilities.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Improvement in the capital structure with improvement in debt protection metrics

Downward Factors



Press Release

- Moderation in revenue and/or moderation in profitability impacting the gross cash accruals on a sustained basis
- Moderation in the capital structure with overall gearing ratio moderated to over 2x and/or deterioration in interest coverage ratio to below 2x
- Stretch in working capital cycle leading to stretch in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of proprietor in construction segment

ACC is a proprietorship concern established in 2007 by its proprietor Mr. Anil Kumar Shaw. Mr. Shaw has an experience of more than 15 years in civil construction industry. Good understanding and technical expertise of the proprietor has helped the firm to establish a strong client base.

Satisfactory order book position indicating a near to medium term revenue visibility

As on November 30, 2024, ACC has an unexecuted order book of Rs.190.08 crore, which is 2.68x of its FY24 (FY refers to the period from April 1 to March 31) revenue. These orders are to be executed within a period of next 12-60 months which provides a moderate revenue visibility over the medium to long term.

Satisfactory financial risk profile

The financial risk profile of the firm remained satisfactory marked by its comfortable capital structure and satisfactory debt protection metrics. The capital structure of the firm stood comfortable marked by its comfortable leverage ratios. The debt profile of the firm comprises majorly equipment loans and unsecured loans. The overall gearing ratio remained adequate at 0.59x as on March 31, 2024, as compared to 0.96x as on March 31, 2023. Further, the total indebtedness marked by TOL/ATNW also remained comfortable at 1.59x as on March 31, 2024, as compared to 2.11x as on March 31, 2023. Further, the debt protection metrics of the firm also remained satisfactory marked by interest coverage ratio at 3.95x in FY24 coupled with Total debt to EBITDA and Total debt to NCA at 1.44x & 2.49x respectively as on March 31, 2024.

Key Rating Weaknesses

Modest scale of operation



Press Release

The firm's operating income stood modest at Rs.70.98 crore in FY2024 [Rs.76.18 crore in FY23]. Further, the net worth base of the firm also remained low at Rs.11.90 crore as on March 31, 2024. Modest scale of operations with low net worth base limits the financial flexibility of the firm to an extent and also restricts the benefits from economies of scale. Infomerics expects that the scale of operation of the firm will continue to remain modest in the near term. In 7MFY24, the firm has earned a revenue of ~Rs.31 crore.

Revenue concentration risk

The firm faces high geographical concentration risk as its outstanding order book position is skewed towards the state of West Bengal. Any delays on account heavy rains, floods or similar events may impact project execution and consequent revenue generation.

Intense competition in a fragmented industry with a tender-based contract-awarding system restricts margins

The civil construction industry is intensely competitive on account of its fragmented nature along with the presence of several players. This coupled with the lowest-bidding-business-procurement structure keeps the margins of all players, including ACC under check. Moreover, the firm is also exposed to risks inherent in the construction sector, such as a slowdown in new order inflows and the risks of delays in execution. Operations are also vulnerable to price variations in key raw materials. However, the risk is largely mitigated in the case of contracts that include price escalation clause.

Risks associated with proprietorship nature of constitution

Given ACC's constitution as a proprietorship firm, it is exposed to discrete risks, including the possibility of capital withdrawal by the proprietor and the dissolution of the firm upon the death, retirement, or insolvency of the proprietor. Moreover, the proprietorship nature limits ACC's flexibility to tap external channels of financing.

Slow progress in the ongoing projects

The firm is currently experiencing slow progress in its ongoing projects due to operational delays and clearance issues. These challenges may negatively impact the business's performance in the near future.

Susceptibility of profit margins to input price fluctuations

The firm's profit margins are exposed to raw material (mainly steel, cement, sand and other metals) price fluctuations. Nonetheless, the presence of a price escalation clause mitigates



Press Release

the risk to an extent. The firm passes on the increase in the raw material prices to its customers to an extent but with a lag.

Analytical Approach: Standalone

Applicable Criteria:

[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 position of the firm is expected to remain adequate in the near term marked by its expected comfortable gross cash accruals between Rs.3.90 to Rs.5.41 crore vis-à-vis its debt repayment obligations in the range of Rs.0.60 to Rs.2.90 crore during FY25-FY27. The firm has earned a gross cash accrual of Rs.2.83 crore in FY24 against debt repayment obligation of Rs.2.53 crore. Further, the firm has a strong gearing headroom marked by its satisfactory capital structure.

About the Company

Adhunik Construction Company (ACC) is established as a proprietorship concern in 2007 by Mr. Anil Kumar Shaw. The firm is engaged in the construction of roads, bridges and buildings. It mainly caters to the companies like, West Bengal transportation Ltd., Mackintosh Burn Ltd, Hooghly River Bridge Commissioners, Public Work Department, Calcutta Tramways Company, Irrigation Department of West Bengal etc.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	76.18	70.98
EBITDA	4.11	4.89
PAT	1.55	1.61
Total Debt	8.56	7.04
Tangible Net Worth	8.90	11.90
EBITDA Margin (%)	5.39	6.89
PAT Margin (%)	2.03	2.27
Overall Gearing Ratio (x)	0.96	0.59



Press Release

Interest Coverage (x)	4.36	3.95
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** 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 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.	Term Loan	Long Term	5.79	IVR BB; Stable	-	-	-
2.	Overdraft	Short Term	10.00	IVR A4	-	-	-
3.	Bank Guarantee	Short Term	15.00	IVR A4	-	-	-

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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.



Press Release

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

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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
Term Loan	-	-	-	June 2031	5.79	IVR BB; Stable
Overdraft	-	-	-	-	10.00	IVR A4
Bank Guarantee	-	-	-	-	15.00	IVR A4

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-adhunik-construction-jan25.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.