Press Release

Advance Infrastructure Private Limited

February 23, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	39.00 (increased from Rs.29 crore)	IVR BBB/ Stable (IVR triple B with Stable outlook)	Upgraded from IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Simple
Short Term Bank Facilities	79.30 (increased from Rs.56.80 crore)	IVR A3+ (IVR A three plus)	Upgraded from IVR A3 (IVR A three)	Simple
Total	**118.30** **(Rupees hundred eighteen crore and thirty lakhs only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings upgrade of the bank facilities of Advance Infrastructure Private Limited (AIPL) has taken into account the improving business risk profile of the company as reflected from its increasing revenue backed by healthy order book position and significantly improved profitability margins. The ratings also factors in its healthy financial position characterized by conservative leverage, robust debt coverage and adequate liquidity. These strengths are partially offset by elongated working capital cycle and the intense competition in the construction industry.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals
- Improvement in the capital structure and debt protection metrics on a sustained basis
- Managing working capital requirement efficiently leading to improvement in the operating cycle with improvement in liquidity.

Downward Factors

- Decline in the revenue and/ or profits leading to an overall deterioration in the financial risk profile of the company
- Moderation in the capital structure and/ or coverage indicators
- Elongation in the operating cycle with moderation in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations coupled with reputed clientele**

Incorporated in 2006, Advance Infrastructure Private Limited (AIPL), has a long operational track record of more than two decades in the construction industry. AIPL's established market presence has helped the company to get repeat orders from government agencies such as GAIL, Oil India Ltd, HPCL and BPCL, this in turn mitigates the counterparty credit risk to some extent.

- **Strong business risk profile buoyed by healthy order book position**

AIPL has healthy order book position with unexecuted orders in hand for oil and gas infrastructure projects worth around Rs.1581.32 Cr as on December 2023. which are to be executed in the upcoming two to three years, thereby providing adequate revenue visibility in the medium term. All the projects are sourced through direct tenders. The company has achieved revenues of Rs.271.55 Cr in FY2023 as compared to Rs.179.31 Cr in FY2022, thereby registering a y-o-y growth of 51.23 per cent. Further, the company has achieved revenues of around Rs.205.88 Cr till December 2023 (Provisional). The growth in top line is primarily on account of better order execution as well as thrust in the infrastructure sector.

- **Significant improvement in profitability margins**

The profitability margins of the company increased significantly majorly due to reduction of providing subcontracting work, owning of machineries instead of leasing and hiring permanent employees rather than contractual employees from several agencies. The EBITDA margin of the company increased to 14.07% in FY2023 from 9.42% in FY2022 and The PAT margin increased to 8.25% in FY2023 from 4.42% in FY2022. Further, the RoCE of the company stood comfortable at 36.06% in FY2023 as against 23.63% in FY2022. The sustainability in profitability margins will be a key rating monitorable, going forward.

- **Healthy financial risk profile supported by comfortable leverage structure**

The capital structure of the company had remained comfortable with its satisfactory net worth base supported by its low reliance on external debt. The tangible net worth (TNW) of the company improved to Rs.65.95 Cr as on March 31, 2023, from Rs.43.55 Cr as on March 31, 2022, due to accretion of reserves. Gearing of the company stood comfortable at 0.75x times as on March 31, 2023, as against 0.62x 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 AIPL stood comfortable marked by Interest Coverage Ratio at 6.18x as on March 31, 2023, and Debt Service Coverage Ratio at 3.44x as on March 31, 2023. Further, the total debt/EBITDA stood comfortable at 1.30x 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.

Key Rating Weaknesses

- **Working capital intensive nature of operations**

The working capital management of the company is intensive marked by the operating cycle, which stood at 112 days as on 31st March 2023 as compared to 104 days as on 31st March 2022. The operating cycle of the company is predominantly driven by the high debtor and moderate inventory level during the same period. The debtor period stood at 126 days as on 31st March 2023 as compared to 133 days on 31st March 2022. The high debtor level is due to earnest money deposits & security deposits. Further, the inventory holding stood at 56 days as on 31st March 2023 as compared to 84 days as on 31st March 2022. In addition to this, working capital requirement is supported by the creditor period, which stood at 70 days as on 31st March 2023 as compared to 113 days as on 31st March 2022.The working capital management of the company will remain at similar levels over the medium term owing to the nature of the industry.

- **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.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

Liquidity – Adequate

The liquidity position of the company is adequate. The steady net cash accruals stood at Rs.24.84 Cr as on March 31, 2023, as against long term debt repayment of Rs.4.07 Cr over the same period. The cash and bank balances of the company stood at Rs.8.11 Cr as on March 31, 2023. However, the Current Ratio stood moderate at 1.26x as on March 31, 2023, and the Quick Ratio stood below average at 0.98x as on March 31, 2023. Further, the average fund-based limit utilisation remains moderate at around 78.33 per cent over the twelve months ended October 2023. There have been no instances of overdrawing. Going forward, the company is likely to maintain adequate liquidity position supported by steady accruals.

About the Company

Incorporated in 2006, Advance 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 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	31-03-2022	31-03-2023
	Audited	Audited

For the year ended* / As On	31-03-2022	31-03-2023
Total Operating Income	179.31	271.55
EBITDA	16.90	38.21
PAT	7.96	22.48
Total Debt	26.95	49.66
Adjusted Tangible Net worth	43.55	65.95
EBITDA Margin (%)	9.42	14.07
PAT Margin (%)	4.42	8.25
Overall Gearing Ratio on Net Adjusted Tangible Net Worth (x)	0.62	0.75

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (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
					December 15, 2022	July 13, 2022	April 15, 2021	
1.	Cash Credit	Long Term	39.00	IVR BBB/ Stable	IVR BBB-/ Stable	IVR BB+ ISSUER NOT COOPERATING*	IVR BBB-/Stable	-
2.	Bank Guarantee	Short Term	76.30	IVR A3+	IVR A3	IVR A4+ ISSUER NOT COOPERATING *	IVR A3	-
3.	Letter of Credit	Short Term	3.00	IVR A3+	IVR A3	-	-	-

*Issuer did not cooperate based on best available information

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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.

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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 I	-	-	-	17.50	IVR BBB/ Stable
Cash Credit II	-	-	-	11.50	IVR BBB/ Stable
Cash Credit III	-	-	-	10.00	IVR BBB/ Stable
Bank Guarantee I	-	-	-	30.00	IVR A3+
Bank Guarantee II	-	-	-	21.50	IVR A3+
Bank Guarantee III	-	-	-	24.80	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-Advance-Infrastructure-feb24.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.