



Press Release

Armco Infra Private Limited

April 03, 2024

Ratings

Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	35.00 (includes proposed facility of 10.00)	IVR BB-/ Stable (IVR Double B minus with Stable outlook)	Assigned	Simple
Short Term Bank Facility	15.00 (includes proposed facility of 15.00)	IVR A4 (IVR A four)	Assigned	Simple
Total	50.00 (INR fifty crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Armco Infra Private Limited (AIPL) derives strength from the experienced promoters with a long track record, and healthy order book indicating revenue visibility. However, these ratings strengths are constrained by the facts that AIPL has a leveraged capital structure, high geographical and client concentration risks, and tender based business model.

Rating Sensitivities

Upward Factors

- Substantial improvement in revenue over the medium term with diversification in terms of presence across geographies and sectors.
- Steady improvement in margins.

Downward Factors

- Marked deterioration in revenue over the medium term due to non-timely completion of projects.
- Steady deterioration in operating cycle over the medium term.
- Marked deterioration in capital structure and debt coverage indicators.



Press Release

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters with a long track record

Armco Infra Private Limited has been promoted by Mr. Thasleem CA and the Company is based in Kerala. The Company only participates in the tenders of infrastructure projects including Jal Jeevan Mission, Roads, etc., announced by the Kerala Government and Central Government for the state of Kerala and the established credentials of the promoter and his reasonably long track record (through other entities) are instrumental for ensuring successful wins of tenders.

Healthy order book indicating revenue visibility

The Company had an unexecuted order book of ~INR204 crore as on 29th February 2024, which is 5.36x of its FY24 Projected revenue. Thus, there is a good revenue visibility because of this healthy order book. The targeted completion dates of these orders range from 2024 to 2027.

Key Rating Weaknesses

Leveraged capital structure

The capital structure of the Company is leveraged with an Overall Gearing Ratio of 6.40x as on February 29, 2024 (Provisional). The TOL/TNW on the same date stood at 7.39x. However, with increase in scale of operations in FY25 and FY26, and accretion of more profits to net worth, these ratios are expected to improve significantly. The interest coverage ratio with respect to 11MFY24 stood at 3.03x and DSCR for the same period stood at 2.74x, both of which are comfortable.

High geographical, and client concentration risks

Armco Infra is completely focused on infrastructure projects in the state of Kerala, which leads to high geographical concentration risks. Further, its client profile primarily includes entities of Government of Kerala, which again leads to client concentration risk. However, counterparty credit risk is absolutely nil as these entities are government bodies.



Press Release

Tender based business model

Armco Infra's business model is completely tender based, hence its fortunes depend on (a) tenders floated by the Kerala government, Central Government for the state of Kerala and (b) successful bids on the tenders floated. The EPC industry is fragmented with the presence of multiple players. As a result, there is also a limit for the increase in margins of Armco Infra, as in order to remain competitive and ensure successful bids, Armco Infra would have to remain satisfied with moderate margins.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The Company had a comfortable current ratio of 1.14x on February 29, 2023 and this ratio is remaining between 1.14x and 1.41x between March 31, 2024 and March 31, 2026. The GCAs of each of the years between FY24 and FY26 comfortably cover the debt repayments due in the respective years. The Operating Cycle of the Company was moderate at 131 days in 11MFY24. Reliance on fund based working capital limits was low at around 36% for the 12 months ended February 2024.

About the Company

Incorporated in 2021 and based in Kerala, Armco Infra Private Limited (AIPL) is engaged in the business of civil construction and primarily undertakes Jal Jeevan Mission, roads, etc. works in the state of Kerala. The closely held entity is promoted by Mr. Thasleem CA and is a special class contractor in the state of Kerala.

The Company's business model is entirely dependent on tenders floated by the Kerala State Government and Central Government, hence margin expansion scope is limited, however, since all the projects are undertaken by Government entities, payments are 100% secure.



Press Release

The Company took over Armco Developers, a partnership firm engaged in the same business on April 01, 2023

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023	11MFY24
	Audited	Audited	Provisional
Total Operating Income	0.00	0.00	32.80
EBIDTA	0.00	-0.01	3.15
PAT	0.00	-0.04	1.39
Total Debt	-	0.46	21.41
Tangible Net Worth	1.96	1.96	3.35
EBDITA Margin (%)	-	-	9.59
PAT Margin (%)	-	-	4.23
Overall Gearing Ratio (x)	0.00	0.23	6.40

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sl. 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	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	Long Term	25.00	IVR BB-/ Stable	-	-	-
2.	Proposed Cash Credit	Long Term	10.00	IVR BB-/ Stable	-	-	-
3.	Proposed Bank Guarantee	Short Term	15.00	IVR A4	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Shantanu Basu
Tel: (033) 46022266

Email: shantanu.basu@infomerics.com

Name: Mr. Sandeep Khaitan
Tel: (033) 46022266

Email: sandeep.khaitan@infomerics.com



Press Release

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy, or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



Press Release

Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	25.00	IVR BB-/ Stable
Proposed Cash Credit	-	-	-	10.00	IVR BB-/ Stable
Proposed Bank Guarantee	-	-	-	15.00	IVR A4

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Armco-apr24.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