



Press Release

ECR Buildtech Private Limited

August 22, 2023

Ratings

Instrument Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	5.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	47.80	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Total	52.80	Rupees Fifty Two Crore and Eighty Lakhs Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long-term rating of IVR BBB with stable outlook and short term rating of IVR A3+ for the bank loan facilities of ECR Buildtech Private Limited (ECRBPL).

The rating draws comfort from its experienced promoters and management, improvement in scale of operations along with moderate profitability margins, moderate albeit concentrated order book reflecting medium term revenue visibility, moderate capital structure and debt protection metrics, proven project execution capability. However, these strengths are partially offset by tender driven nature of business in highly fragmented & competitive construction sector, Inherent risk as an EPC contractor and susceptibility of operating margin to volatile input prices.

IVR has principally relied on the standalone audited financial results of ECRBPL up to 31 March 2022, management certified provisional results for FY2023 and projected financials for FY2024, FY2025 and FY2026, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:



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Upward Factors

- Sustained growth in scale of operations with further improvement in profitability, and cash on a sustained basis.
- Manage working capital requirements efficiently with improvement in liquidity position.

Downward Factors

- Substantial decline in operating income and cash accrual, a stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure weakens the financial risk profile, particularly liquidity.
- Significant deterioration in debt metrics.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Experienced promoters and management:

ECRBPL is promoted by Mr. Esab Khan who is the founder of the company, and he has been in the construction field for last about 20+ years. He is supported by other four Directors, viz. Mr. Subdeen, Mr. Alam Khan, Mr. Imran Khan and Mr. Alijhan Ahmed who also have relevant experience in construction sector. Moreover, ECRBPL is managed by qualified professionals having the requisite technical knowledge and skills thereby providing synergistic advantage to the company in terms of successful project execution.

Improvement in scale of operations along with moderate profitability margins:

The total operating income (TOI) of the company has increased with a CAGR of 22.00% in the last three years i.e., from Rs.234.86 crore in FY21 to Rs.424.24 crore in FY23(P) due to an increase in orders booked by the company. EBITDA increased Y-o-Y by 51.73% i.e., from Rs. 23.79 crore in FY22 to Rs.36.10 crore in FY23(P) and PAT also increased Y-o-Y by 55.08% i.e., from Rs.13.80 crore in FY22 to Rs.21.40 crore in FY23(P). The Gross Cash Accrual of the company increased from Rs.17.62 crore in FY22 to Rs.25.53 crore in FY23(P). The profitability margins of the company marked by EBITDA margin and PAT margin remained constant at 8.51% (PY:8.66%) and 5.03% (PY: 4.98%) respectively in FY23(P).



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Moderate albeit concentrated order book reflecting medium-term revenue visibility:

The company has a moderate unexecuted order book of Rs. 778.55 crore as on March 31, 2023, which is 1.84 times of its TOI for FY23(P). As per FY23 provisional results, the company has earned revenue of Rs. 424.24 Crore.

Moderate capital structure and debt protection metrics:

The Overall Gearing Ratio of the company is 0.40 times in FY23(P) as against 0.52 times in FY22. The total indebtedness of the company as reflected by TOL/TNW improved marginally from 2.51x in FY22 to 1.98x in FY23(P). The debt protection metrics stood moderately marked by Interest Service Coverage Ratio of 16.39 times in FY23(P) (FY22: 11.49x) and Debt Service Coverage Ratio of 3.04x in FY23(P) (FY22: 2.53x).

Proven project execution capability:

Over the past years, the company has successfully completed many projects across Rajasthan and other states and ensured timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities.

B. Key Rating Weaknesses

Tender driven nature of business in highly fragmented & competitive construction sector:

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the company's ability to successfully bid for the tenders as the entire business is tender based. The domestic infrastructure sector is highly fragmented, marked by the presence of many players with varied statutes & capabilities. A boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, a significant price cut by a few players during the bidding process is a matter of serious concern for the users with respect to quality of output. ECRBPL faces direct competition from various organized and unorganized players in the market.



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Inherent risk as an EPC contractor and susceptibility of operating margin to volatile input prices:

Economic vulnerability and regulatory risks in developing markets, delay in payments from the Government, project execution risk and fluctuating input costs are the key business risk faced by the company in the sector.

Major raw materials used in civil construction activities are steel & cement and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales. As the raw material prices & labour (including sub-contracting) costs are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including subcontracting) cost. However, the presence of price variation clause on eligible project mitigates the risk to some extent.

Analytical Approach: For arriving at the ratings, IVR has analysed ECRBPL's credit profile by considering standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

ECRBPL's liquidity position is adequate marked by expectation of sufficient cushion in cash accruals vis-à-vis its debt repayment obligations in the next 3 years. The average working capital utilization for the last 12 months ended March 2023 stood for its fund-based limits is



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61.61% and non-fund-based limits is 90.75%. The Current Ratio of the company stood at 0.95x as on 31-Mar-2023 as against 0.88x as on 31-Mar-2022 and its operating cycle is of 6 days in FY23 (-8 days in FY22). The unencumbered cash and bank balance as on 31st March 2023 is Rs.0.84 Crore.

About the Company

ECR Buildtech private limited, is a concern set up by Mr. Esab Khan at Bhiwandi. He has been growth engine, guiding and motivating force in the consistent growth of the company. The management of company is very professional in rich experience, technically qualified project managers, site engineers, safety/quality personnel, skilled artisans and workers with the strong support from corporate office. With the dedicated team spirit and due diligence, the company accomplished many major projects over last two decades and continuing so with substantial quantum of ongoing projects, the company have been delivering complete projects execution/turnkey solutions to the entire satisfaction of the clients/consultants in industrial /commercial and residential construction segments.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	274.67	424.24
EBITDA	23.79	36.10
PAT	13.80	21.40
Total Debt	28.82	31.09
Tangible Net worth*	55.11	76.46
EBITDA Margin (%)	8.66	8.51
PAT Margin (%)	4.98	5.03
Overall Gearing Ratio (x)	0.52	0.40
Interest Coverage Ratio (x)	11.49	16.39

**as per Infomerics standards*

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:



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Sl. 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
1.	Fund Based	Long Term	5.00	IVR BBB/Stable (Assigned)	-	-	-
2.	Non-Fund Based	Short Term	47.80	IVR A3+ (Assigned)	-	-	-

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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
Overdraft	-	-	-	5.00	IVR BBB/Stable
Bank Guarantee*	-	-	-	47.80	IVR A3+

*FBG is Rs.5.00 crore and LC of Rs.7.00 crore is sub-limit.

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-ECRBPL-aug23.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