



Press Release

ECR Buildtech Private Limited

September 26, 2024

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	58.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
2.	Short Term Bank Facilities	5.50	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total		63.50	Rupees Sixty Three Crore and Fifty Lakhs Only			

Details of Facilities are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long term and short-term rating of IVR BBB with Stable outlook and IVR A3+ respectively, for the bank loan facilities of ECR Buildtech Private Limited (EBPL).

The rating continues to draw comfort from its experienced promoters and management, moderate scale of operations and profitability margins, healthy order book position, comfortable capital structure and debt protection metrics. However, these rating 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.

The 'Stable' outlook indicates that the company will continue to benefit from its experienced promoter's along with healthy order book position which provides revenue visibility in the medium term.

IVR has principally relied on the audited financial results of EBPL's up to 31 March 2023, FY2024 (refers to period from 1st April 2023 to 31st March 2024) unaudited certified provisional results and projected financials for FY25, FY26 and FY27, and publicly available information/clarifications provided by the company's management.



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Upward factors

- Substantial increase in scale of operations with TOI above Rs.550.00 crore along with improved EBIDTA margins.
- Manage working capital requirements efficiently with improvement in liquidity position.

Downward factors

- Significant reduction in the scale of operations and profitability margins.
- Deterioration in debt protection metrics and overall gearing.
- Low orders inflow or delay in execution of projects.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and management:**
ECRBPL is promoted by Mr. Isab 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. Rashid Khan and Mr. Alijan Ahmed who also have relevant experience in construction sector. Moreover, the company 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.
- **Moderate scale of operations and profitability margins:**
The company's total operating income (TOI) has marginally improved from Rs. 424.24 crore in FY2023 to Rs. 429.24 crore in FY2024 (Provisional), driven by new secured orders. The EBIDTA margin improved marginally from 7.77% in FY2023 to 8.03% in FY2024 (Provisional) as expenses were lower compared to the previous year. However, the PAT margin decreased from 5.19% in FY2023 to 4.85% in FY2024 (Provisional) due to higher interest rates impacting profitability.
- **Healthy order book position:**
The company has a healthy unexecuted order book position to the tune of about Rs. 654.77 crore which is to be executed within the next one year, thereby providing a moderate revenue visibility. The current unexecuted order book position represents 1.53 times of its existing TOI in FY2024 (Provisional). The company is expected to add orders of ~Rs.400.00 crores in the current financial year, which will further strengthen its order book position and the revenue visibility.



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- **Comfortable capital structure and debt protection metrics:**

The overall gearing ratio of the company remained comfortable and constant at 0.30x in FY2024 (Provisional). The total indebtedness of the company as reflected by TOL/TNW improved from 1.95x in FY2023 to 1.48x in FY2024 (Provisional). The debt protection metrics stood comfortably marked by interest service coverage ratio (ISCR) of 12.35x in FY2024 (Provisional) and debt service coverage ratio (DSCR) of 2.90x in FY2024 (Provisional).

Key Rating Weaknesses

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

The timely execution of newly awarded projects is critical for achieving growth in both revenues and profits. The company's ability to secure tenders successfully is crucial for business stability, given its reliance on tender-based operations. The domestic infrastructure sector is characterized by fragmentation, with numerous players of varying capacities and capabilities. A previous boom in the infrastructure sector led to an influx of participants, contributing to a competitive environment. While competition is generally seen as beneficial, significant price reductions by some bidders during the bidding process raise concerns about the quality of deliverables. ECRBPL faces direct competition from a range of organized and unorganized players in the market.

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

The company faces significant business risks in the sector, including economic vulnerability and regulatory uncertainties in developing markets, delays in government payments, project execution challenges, and fluctuations in input costs. Key raw materials like steel, cement, and sand are typically sourced from large suppliers located nearby for civil construction activities. These raw materials, along with labour costs (including subcontracting), constitute a substantial portion of the total cost of sales. Given their volatile nature, fluctuations in raw material prices and labour costs impact the company's profitability. However, the inclusion of price variation clauses in eligible projects helps mitigate some of these risks to a certain extent.

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



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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

EBPL'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 of fund based limits for the last 12 months ending on 30th June 2024 stood low at 36.48%. Moreover, the company is expecting gross cash accruals in the range of Rs.34.14 crore to Rs.40.19 crore as against the repayment obligations in the range of Rs.4.23 crore to Rs.4.63 crore in FY2025-FY2027.

About the Company

EBPL was incorporated in the year 2012 is engaged in the business of execution of civil construction contracts. ECRBPL majorly undertakes private contracts of civil construction. Mr. Alam Khan, Mr. Subdeen Khan, Mr. Rashid Khan, Mr. Alijan Ahmad, and Mr. Isab khan are presently the directors and responsible for managing day to operations of the ECRBPL.

Financials (Standalone):

	(Rs. crore)	
For the year ended*/As on	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	424.24	429.24
EBITDA	32.98	34.47
PAT	22.10	20.89
Total Debt	23.91	28.82
Tangible Net worth	76.75	97.65
EBITDA Margin (%)	7.77	8.03
PAT Margin (%)	5.19	4.85
Overall Gearing Ratio (x)	0.31	0.30
Interest Coverage Ratio (x)	13.92	12.35

**Classification as per Infomerics' standards*



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Status of non-cooperation with previous CRA: Brickwork vide press release dated August 2, 2023, has continued to classify the case under ISSUER NOT COOPERATING category on account of non-submission of relevant information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (August 22, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Non-Fund Based	Long Term	58.00	IVR BBB/Stable	IVR BBB/Stable	-	-
2.	Fund Based	Short Term	5.50	IVR A3+	IVR A3+	-	-

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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
Bank Guarantee	-	-	-	58.00	IVR BBB/Stable
Overdraft	-	-	-	5.50	IVR A3+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-ecr-sep24.pdf>

Annexure 3: Detailed explanation of covenants of the rated securities/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 [Complexity Level of Rated Instruments/Facilities](#).