



Press Release
A B INFRA BUILD LIMITED
May 22, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	53.29	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	31.71	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	85.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 85.00 Cr. bank facilities of A B Infrabuild Limited (ABIL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned considers the established track record of the company for more than a decade in the construction industry, which has in turn supported the company in establishing strong relationships with its customer consisting mainly government authorities. The rating is further supported by healthy financial risk profile of the company marked by the low gearing and comfortable debt protection metrics with debt-equity stood at 0.91 times as on 31st March, 2023 and DSCR stood at 2.40 times in FY23. However, these strengths are partly offset by intensive working capital cycle of the company as marked by GCA days of 325 days consisting of higher inventory. Further, the rating is constrained by intensity of competition in the industry due to the tender based nature of operations.

About the Company

Incorporated in 2011, A B Infrabuild Limited is based in Mumbai. The company is Grade "AA" contractor registered with Municipal Corporation of Greater Mumbai and Class 1(A) Contractor with Public Works Department, Maharashtra. The directors of the company are, Mr. Amit Bholanath Mishra, Mr. Udayan Anantrao Chindarkar, Ms. Vanita Vinodbhai Bhuva, Mr. Shreeprakash Deonarayan Singh, Mr. Mukesh Pandey, Mr. Bharatkumar Punmaji Parmar and Mr. Archana Rakesh Pandey.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of A B Infrabuild Limited to arrive at the rating.

Key Rating Drivers

Strengths

Established Track record of operations and experienced management

ABIL is an EPC contractor working majorly for Municipal Corporation of Greater Mumbai (MCGM) and PWD Maharashtra. The company was incorporated in 2011 and over

the years the company has gained extensive experience in the construction business. Over the past few years, the company is majorly engaged in civil construction for MCGM. The experience of the promoters can be seen from the increasing revenue for the company which grew by a CAGR of 42 percent in last two years on account of rising order book and timely execution of the projects. The revenue increased to Rs. 123.09 crore in FY2023 as against Rs. 64.32 crore in FY2022. Further, the company has recorded a revenue of Rs.107 crore for six months ended September 2023. The current order book for the company stands at Rs.313 crore which provides revenue visibility over the medium term.

Acuité believes that the long operational track record and experience of management coupled with the healthy order book shall continue to benefit the company going forward, resulting in steady growth in the scale of operations.

Healthy Financial Risk Profile.

The financial risk profile of the company stood healthy, marked by healthy net worth, low gearing (debt-equity) and comfortable debt protection metrics. The tangible net worth stood at Rs. 35.32 crore as on 31 March 2023 as against Rs.27.79 crore as on 31 March 2022.

Further the net-worth of the company increased to Rs.77.21 crore as on 30th September 2023 on account of infusion of funds in the company. The total debt of the company stood at Rs. 32.31 crore which includes long term loan of Rs.9.8 crore, short term loan of 19.68 crore in terms of CC and unsecured loans of Rs.2.83 crore as on 31st March 2023. The gearing (debt-equity) stood at 0.91 times as on 31 March 2023 as compared to 1.08 times as on 31 March 2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.52 times as on 31 March 2023 as against 2.66 times as on 31 March 2022. Interest Coverage Ratio stood at 3.47 times for FY2023 as against 1.49 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 2.4 times in FY2023 as against 1.34 times in FY2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.26 times for FY2023 as against 0.06 times for FY2022.

Acuite believes the financial risk profile of the company may continue to remain healthy on account of steady cash accruals with no further debt-funded capex plans.

Weaknesses

Intensive Working Capital Management

The working capital management of the company is Intensive marked by GCA days of 325 days in FY23 as against 526 days in FY22. The higher GCA days are on account of high inventory, debtors and due to higher other current assets. The inventory days for the company stood high at 176 days in FY2023 as against 283 days in FY2022. The reason for high inventory is as majority of it is recorded in work-in-progress as bill is raised after the approval of completion by authorities. Subsequently, the debtor's collection period stood at 96 days in FY23 as against 155 days for FY22. The company faces the risk of realizations from debtors, as some of the debtors are outstanding for more than a year. The creditors days stood at 144 days in FY23 as against 201 days in FY22. As a result, the reliance on working capital limits is marked moderate, reflected by moderate utilizations of fund-based limit of around 87 percent in the last 11 months ended February 2024.

Acuite expects the working capital operations of the company may continue to remain intensive on account of higher debtor and inventory associated with nature of business.

Exposure to Intense competition in a fragmented industry

The infrastructure is a fairly fragmented industry with a presence of few large pan India players where subcontracting & project specific partnerships for technical/financial reasons are fairly common. The company faces stiff competition with its competitors in procuring orders through bidding, immense competition for procuring tenders leads to very competitive pricing which in turn lead to stress on the margins. Moreover, susceptibility of raw material pricing again keeps profit margin vulnerable and is a key sensitivity factor.

Rating Sensitivities

- Any deterioration in financial risk profile.
- Improvement in the scale of operations with improving operating margins.
- Further elongation of working capital cycle leading due to further increase in inventory leading to stretch in liquidity.

Liquidity Position

Adequate

The company's liquidity position is adequate, marked by sufficient net cash accruals against the maturing debt obligations. The company generated net cash accruals of Rs.8.28 crore in FY2023 as against maturing repayment obligations of Rs.0.85 crore during the same tenure. In addition, it is expected to generate cash accrual in the range of Rs.13.79-21.96 crore against the maturing repayment obligations of Rs.1.5-1.7 crore over the medium term. However, the working capital management of the company is intensive marked by GCA days of 325 days in FY2023 as against 526 days in FY2022. Further, the reliance on working capital limits is marked moderate, reflected by average utilizations of fund-based limit of around 87 percent in the last 11 months ended February' 2024. The current ratio stands at 1.51 times as on March 31, 2023, as against 1.50 times as on 31 March 2022.

Acuite believes the liquidity position of the company may continue to remain adequate with steady cash accruals.

Outlook: Stable

Acuite believes the outlook on ABIL will continue to remain 'Stable' over the medium term backed by long track record of operations and experienced management. The outlook may be revised to 'Positive' if the firm is able to significantly improve its working capital management. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the financial risk profile of the firm by not able to scale up the business and further deterioration in working capital management.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	122.21	64.36
PAT	Rs. Cr.	7.54	0.86
PAT Margin	(%)	6.17	1.34
Total Debt/Tangible Net Worth	Times	0.91	1.08
PBDIT/Interest	Times	3.47	1.49

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
The Shamrao Vithal Cooperative Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.21	ACUITE A3 Assigned
Janata Sahakari Bank Ltd (Pune)	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE A3 Assigned
Bank of Maharashtra	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.50	ACUITE A3 Assigned
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.50	ACUITE BBB- Stable Assigned
The Shamrao Vithal Cooperative Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.30	ACUITE BBB- Stable Assigned
Janata Sahakari Bank Ltd (Pune)	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.70	ACUITE BBB- Stable Assigned
Janata Sahakari Bank Ltd (Pune)	Not avl. / Not appl.	Funded Interest Term Loan	01 Sep 2022	Not avl. / Not appl.	01 Aug 2029	Simple	0.50	ACUITE BBB- Stable Assigned
The Shamrao Vithal Cooperative Bank Ltd	Not avl. / Not appl.	Funded Interest Term Loan	01 Sep 2022	Not avl. / Not appl.	01 Aug 2029	Simple	1.55	ACUITE BBB- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	26.83	ACUITE BBB- Stable Assigned
The Shamrao Vithal Cooperative Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	01 Sep 2022	Not avl. / Not appl.	01 Aug 2029	Simple	1.48	ACUITE BBB- Stable Assigned
Janata Sahakari Bank Ltd (Pune)	Not avl. / Not appl.	Working Capital Term Loan	01 Sep 2022	Not avl. / Not appl.	01 Aug 2029	Simple	0.43	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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