

May 22, 2024

ATR Infraprojects Private Limited: [ICRA]BB-(Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	[ICRA]BB-(Stable); assigned
Total	-	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to ATR Infraprojects Private Limited (ATR) factors in the experience of the promoters in the construction sector and its reputed clientele. The company has over a decade of experience in the construction industry and has worked with reputed private players (Ashoka Buildcon Limited, PNC Infratech Limited, etc) as well as Government authorities (MoRTH, Airport Authority of India, PwD (Maharashtra) etc). Its reliance on bank borrowings remains limited resulting in comfortable coverage metrics, as reflected in interest coverage of 7.9 times in 9M FY2024.

The rating is, however, constrained by the company's moderate scale of operations and limited revenue visibility. While its operating income (OI) recorded a healthy YoY growth to Rs. 70 crore in FY2024, the outstanding order book (OB) of ~Rs. 25 crore (translating into OB/OI of ~0.4 times as on March 31, 2024) provides limited revenue visibility. ATR's ability to successfully build-up its OB remains crucial from the credit perspective. Further, the company's operating margin remain susceptible to the stiff competition, tender-driven nature of business and lack of price escalation clauses (given the sizeable share of shorter tenor projects). While it has limited bank borrowings, the company has taken advances from customers as well as elongated credit period from vendors, resulting in a relatively leveraged capital structure with TOL/TNW of 2.0 times as on December 31, 2023. Also, it has extended sizeable advances to other entities (vis-à-vis its net worth) and any significant increase in the same could pressurise the cash flows and will remain a key monitorable.

The rating is exposed to the cyclicity inherent in the construction industry and consider the exposure to sizeable contingent liabilities in the form of bank guarantees (BGs), mainly for contractual performance and earnest money deposit (EMD). Nonetheless, ICRA draws comfort from ATR's execution track record and absence of invocation of guarantees in the past. ICRA notes the contingent liability of ~Rs. 54.50 crore as on March 31, 2023 towards disputed tax dues, which are currently under appeal with the Mumbai High Court. Any adverse ruling leading to material cash outflows would be a credit negative.

The Stable outlook on the long-term rating reflects ICRA's opinion that ATR will likely sustain its comfortable coverage metrics even as its revenue growth may moderate in FY2025, given the modest OB position as on March 31, 2024. Further, the outlook underlines ICRA's expectation that the entity's incremental capex and/or investment, if any, will be funded in a manner that it is able to durably maintain its debt protection metrics.

Key rating drivers and their description

Credit strengths

Vast experience of promoters in industry – The company's promoter has over three decades of experience in the civil construction industry. It has a proven execution capability in road, electrical, airport and building engineering, procurement and construction works and has executed several projects for private players as well as government agencies.

Moderate debt coverage indicators – The company’s reliance on bank borrowings remains limited to working capital debt resulting in comfortable coverage metrics, as reflected in interest coverage of 7.9 times as on December 31, 2023. With limited debt-funded capex or investment plans, the coverage indicators are expected to continue to remain moderate going forward.

Credit challenges

Modest scale of operations and stretched liquidity – The scale of operations remains modest, as reflected in OI of Rs. 70.0 crore in FY2024 (provisional), despite healthy YoY growth of 90% from Rs. 36.8 crore in FY2023. Moreover, the outstanding order book of ~Rs. 25 crore (translating into OB/OI of ~0.4 times as on March 31, 2024) provides limited revenue visibility. Additionally, the company’s liquidity is stretched, with limited cushion in its fund-based and non-fund based limits and a high margin money requirement for its non-fund based limits. Going forward, the company’s ability to build-up its OB, judiciously manage its working capital cycle and improve its liquidity position remains important from the credit perspective.

Sizeable exposure towards loans and advances – The company has extended sizeable loans and advances of Rs. 33.3 crore and unsecured loans of Rs. 17.83 crore as on December 31, 2023 (vis-à-vis net worth of Rs. 35 crore). Any significant increase in the same could pressurise the cash flows and will remain a key monitorable.

Competitive industry; tender-driven nature of business – The company is exposed to intense competition, given the highly fragmented construction industry, with numerous players in the organised and the unorganised segments. ATR’s profitability is exposed to stiff competition as tenders are mainly awarded based on competitive pricing.

Liquidity position: Stretched

While the company has no long-term debt obligations, the cushion remains limited in terms of free cash on books or unutilised fund-based and non-fund based limits, which constrains its liquidity. The limit utilisation as on December 31, 2023 stood at 88% for the non-fund based limits (out of the sanctioned limits of Rs. 7 crore) and 75% for fund-based limits (out of limits of Rs. 2.0 crore). Moreover, the margin money requirement for non-fund based limits remain high at 50%. ICRA notes that the company plans to avail enhancement in its limits. Timely sanction of the same would remain imperative for scaling up the operations.

Rating sensitivities

Positive factors – Sustained and significant improvement in scale of operation and earnings, along with improvement in order book and liquidity position remains crucial for a rating upgrade.

Negative factors – Negative pressure on ATR’s rating could arise if there is a significant decline in scale of operations due to slow fresh order addition or delays in execution. Further, any considerable deterioration in the working capital cycle and/or any major debt-funded capex, or material increase in loans and advances, which adversely impacts the company’s leverage metrics and/or liquidity position, would also be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Incorporated on December 08, 2008, ATR Infraprojects Pvt. Ltd. is an engineering, procurement and construction player based out of Nashik (Maharashtra) and it mainly undertakes road and electrical works. Initially, the company primarily carried out works on a sub-contracting basis for reputed private players such as Ashoka Buildcon Limited, Dilip Buildcon Limited, and PNC Infratech Limited. However, over the past two years, it has shifted focus and is undertaking government works on its own credentials. Its primary clientele includes Airport Authority of India, PwD (Maharashtra), etc, and has undertaken projects across various geographies such as Karnataka, Jharkhand, Tamil Nadu, Madhya Pradesh, Maharashtra and Goa.

Key financial indicators (audited)

	FY2022	FY2023	9M FY2024*
Operating income (Rs. crore)	38.0	36.8	49.0
PAT (Rs. crore)	2.5	0.4	2.1
OPBDIT/OI (%)	1.4%	-2.2%	3.6%
PAT/OI (%)	6.7%	1.2%	4.3%
Total outside liabilities/Tangible net worth (times)	1.8	1.9	2.0
Total debt/OPBDIT (times)	3.9	-10.1	5.9
Interest coverage (times)	1.8	-6.5	7.9

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations;

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
1	Issuer rating	Long term	-	-	May 22, 2024	-	-	-
				[ICRA]BB-(Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer rating	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#).

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer rating	NA	NA	NA	0.00	[ICRA]BB-(Stable)

Source: Company

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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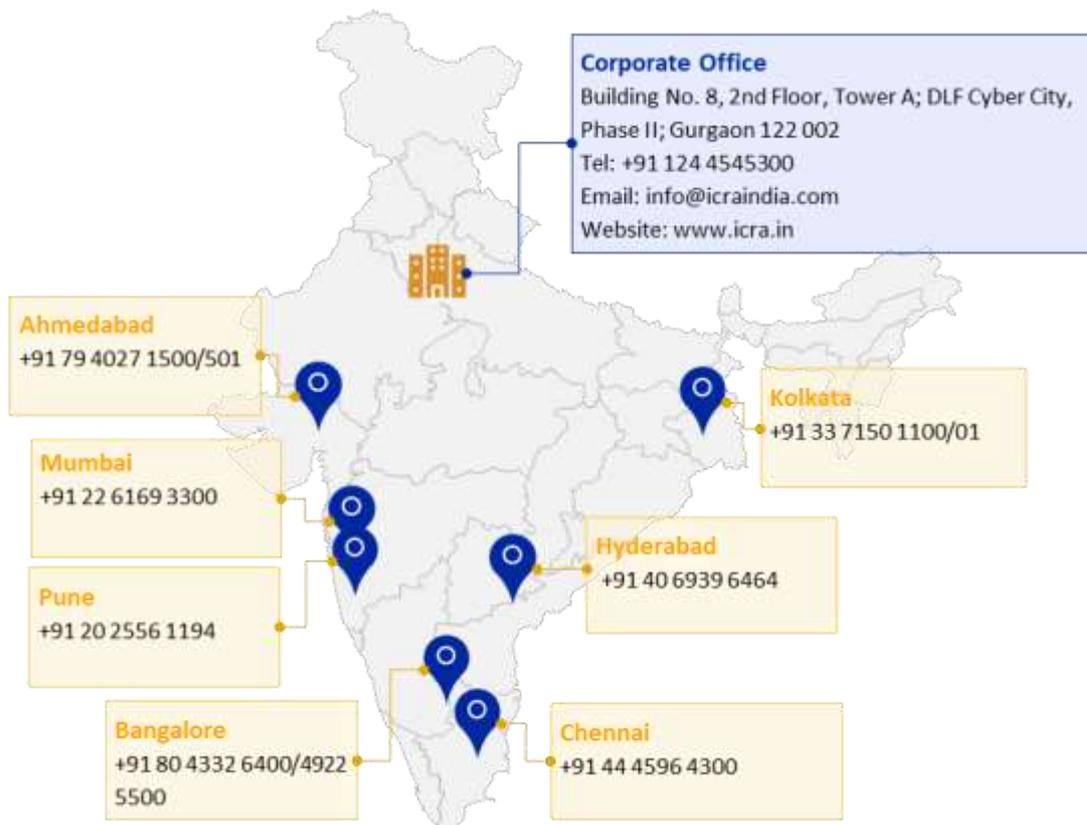


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