



## Press Release

### Atal Realtech Limited

November 29, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities - Cash Credit	10.50 (Reduced from 11.00)	IVR BB/ Stable (IVR Double B with Stable Outlook)	IVR B/ Negative Outlook; ISSUER NOT COOPERATING (IVR Single B with Negative Outlook; ISSUER NOT COOPERATING*)	Upgraded and removed from ISSUER NOT COOPERATING* with revised outlook	Simple
Short Term Bank Facilities - Bank Guarantee	14.00 (Enhanced from 11.90)	IVR A4 (IVR A Four)	IVR A4; ISSUER NOT COOPERATING (IVR A Four ISSUER NOT COOPERATING*)	Reaffirmed and removed from ISSUER NOT COOPERATING*	Simple
<b>Total</b>	<b>24.50</b> <b>(Rupees twenty-four crore and fifty lakhs only)</b>				

*\*Issuer did not cooperate; based on best available information*

**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 Ratings has upgraded and removed the long term rating from ISSUER NOT COOPERATING category with revised outlook at IVR BB/Stable and reaffirmed and removed the short term rating from ISSUER NOT COOPERATING category at IVR A4 to the bank facilities of Atal Realtech Limited (ARL) which derive strength from healthy order book position, comfortable capital structure, comfortable debt coverage indicators and experienced promoters with long operational track record. However, these rating strengths are partially offset by working capital intensive nature of business, profitability susceptible to volatile raw material prices, tender driven nature of business and geographic and client concentration risk.

The outlook of ARL is expected to remain stable as it is expected to benefit from the extensive experience of the promoters and healthy order book position with reputed clientele and its satisfactory capital structure with adequate debt protection metrics supported by favourable industry outlook.



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### Key Rating Sensitivities:

#### Upward Factors

- Diversification of the clientele to include strong counterparties in the PSU/ private sector, thereby reducing dependence on the PWD
- Large and sustained growth in scale of operations coupled with improvement in profit margins.
- Significant growth in cash accruals along with prudent working capital management
- Improvement in leverage ratios

#### Downward Factors

- Any significant decline in revenue and profit margin on a sustained basis
- Moderation in the capital structure with deterioration in overall gearing ratio
- Significant deterioration in debt protection metrics and Total debt/GCA

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Comfortable capital structure and debt coverage indicators**

The capital structure of the company had remained comfortable where overall gearing ratio has improved. The overall gearing remained below unity and further improved to 0.24x as on March 31, 2024, from 0.32x as on March 31, 2023, on the back accretion of profit to reserves coupled with repayment of term loan. However overall indebtedness of the company marked by TOL/TNW has deteriorated to 0.53x as on March 31, 2024, against 0.41x as on March 31, 2023, on account of increase in near term liabilities towards end of FY24 wherein they have received advance payment from the two projects of construction of court complex building at Moshi in Pimpri Chinchwad and construction of central tribal administrative complex at Nashik. Debt protection metrics of the company remained comfortable with interest coverage ratio 3.05x in FY24. This apart, DSCR has also improved to 2.07x as on March 31, 2024, from 1.64x as on March 31, 2023, with the improvement in cash accruals in FY24. In September 2024, the company has completed a rights issue, raising Rs. 25.90 crore (the company



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is to offer 3,70,05,000 equity shares at a price of Rs. 7 per share). This is expected to help maintain the overall gearing below 0.3x levels as at end FY25.

- **Healthy order book position**

The company has a strong unexecuted order book amounting to ~Rs. 280 crore which is around 7x the current revenue of FY24 providing revenue visibility in near to medium term. Successful execution of the projects will also help the company in getting repeated and large-sized orders from clients. Timely execution of the contracts will be key for the company in scaling up the current operations.

- **Experienced promoters with long operational track record**

ARL is established player in the market and has more than a decade of experience in business operations, and the promoter Mr. Vijaygopal Parasram Atal possesses more than three decades of experience in business and Mr. Amit Sureshchandra Atal possesses experience of about two decades in civil construction field. Having long standing presence of the promoters in the industry has helped the company to establish a healthy relationship with its customers and suppliers.

### Key Rating Weaknesses

- **Working capital intensive nature of business**

The operation of the company is highly working capital intensive marked by its long operating cycle due to its high average work in progress days as billing is constrained by the availability of funds with the PWD department. The company delays the raising of bills to the Maharashtra PWD till it is assured of availability of funds with the department. This is because it is liable to pay GST immediately after raising a bill which increases its working capital requirements. Unbilled amounts are reflected in the large quantum of work in progress inventory. Further, blockage of funds in retention money which released only after the completion of certain stage of work also fueled the high working capital requirements. The average working capital utilization is high at around ~82% of the Rs.10.50 Cr cash credit limits during last 12 months ending in October 2024, which imparts low liquidity buffer.



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- **Profitability susceptible to volatile raw material prices**

Major raw materials used in construction activities are steel and cement which are usually sourced from large dealers at proximate distances. The input prices are generally volatile and all EPC contracts with the PWD have escalation clauses which are referenced to price indices of raw materials such as steel, cement as well as of fuels such as diesel and petrol. The escalation clauses allow for a maximum of 75% of the increase in input prices to be passed on to the PWD, with the company expected to incur the cost relating to the balance 25% increase in prices. Consequently, the profitability of the firm remains susceptible to fluctuation in input prices to an extent.

- **Tender driven nature of business in highly fragmented & competitive operating scenario with geographical and client concentration risk**

The domestic infrastructure works sector is highly crowded with presence of many EPC players with varied statures & capabilities due to which profitability margins come under pressure. Further, the company receives its work orders from government departments through competitive bidding process in tenders floated by the departments. Currently the unexecuted order book of Rs. 281 Cr is almost entirely composed of orders from the PWD Maharashtra, thereby exposing the company to high client as well as geographical concentration risk. The availability of funds with the PWD is dependent on the overall financial position of the State of Maharashtra, and any large welfare schemes announced by the Government can curtail the quantum of funds available for construction/ repair of roads, administrative buildings, schools, hostels etc. which are the traditional areas where the company has a strong presence.

**Analytical Approach:** Standalone



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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**

ARL has earned a gross cash accrual of Rs. 2.59 in FY24. Further the company is expected to earn a gross cash accrual in the range of ~Rs. 4 to 6 crores annually as against its debt repayment obligations around ~Rs. 0.05 to 0.55 crore per year during FY25-27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Further, average cash credit utilization of the company remained high at ~82% of the Rs.10.50 Cr limits during the past 12 months ended October 2024 indicating a low liquidity cushion.

### **About the Company**

Atal Realtech Limited (ARL) was incorporated as Atal Realtech Private Limited, in 2012 at Nashik (Maharashtra) by Mr. Vijaygopal Parasram Atal and subsequently converted into public limited company with the present name in 2020.

It is engaged in providing integrated contracting and sub-contracting services for civil and industrial construction, engineering and complete infrastructure project management. The company is headquartered in Nashik (Maharashtra). ARL is a registered contractor with the Government of Maharashtra Public Works Department in Class I-A category under which it allows ARL to participate in tender irrespective of size of the tender provided the company has done similar nature of work previously.

Currently, Mr. Vijaygopal Parasram Atal, the managing director, looks after the day-to-day affairs of the company with adequate support from co-directors and a team of experienced professionals.



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### Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	40.63	40.83
EBITDA	4.83	5.17
PAT	2.08	2.14
Total Debt	11.22	9.21
Tangible Net Worth	35.37	37.60
EBITDA Margin (%)	11.88	12.67
PAT Margin (%)	5.11	5.24
Overall Gearing Ratio (x)	0.32	0.24
Interest Coverage (x)	3.50	3.05

\* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: None

### Rating History for last three years:

Sr. No	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years			
		Type (Long Term/Short Term)	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	10.50	IVR BB/Stable (Nov 29, 2024)	IVR B/ Negative/INC (Apr 22, 2024)	-	IVR B+/ Negative/ INC (Mar 24, 2023)	IVR BB-/ INC (Feb 17, 2022)
2.	Bank Guarantee	Short Term	14.00	IVR A4	IVR A4/INC	-	IVR A4/INC	IVR A4/INC

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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 and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities - Cash Credit	-	-	-	-	10.50	IVR BB/ Stable
Short Term Bank Facilities - Bank Guarantee	-	-	-	-	14.00	IVR A4

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-AtalRealtech-nov24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/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 [www.infomerics.com](http://www.infomerics.com).