



Press Release

Infratech Construction Company

July 01st, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	100.00	IVR BBB/Positive (IVR Triple B with positive outlook)	IVR BBB/Stable (IVR Triple B with a Stable outlook)	Reaffirmed with change in outlook from Stable to Positive	Simple
Short Term Bank Facilities	100.00	IVR A3+ (IVR A three plus)	IVR A3+ (IVR A three plus)	Reaffirmed	Simple
Total	200.00	(Rupees Two hundred Crore Only)			

Details of Facilities/Instruments 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 has reaffirmed the long-term and short-term ratings to IVR BBB with change in outlook from stable to positive outlook and IVR A3+ respectively for the bank facilities of Infratech Construction Company (ICC).

The reaffirmation of rating continues to draw comfort from promoters' extensive experience in the industry, marked by substantial growth in financial operations with robust profitability margins. Further the ratings continue to take into consideration healthy order book position supported by a comfortable capital structure and debt protection indicators. The ratings, however, remains constrained by volatility in raw material prices, risk associated with competitive nature of the industry and inherent risk of capital withdrawals on account of constitution of partnership nature. The ratings also remained constrained on account of concentrated order book with state of Maharashtra contributing all the orders. However repeat orders and strong counterparty provides some comfort.

The change in outlook from Stable to Positive is on account of improved financial performance in the financial year 2024. IVR believes that ICC will continue to benefit from its operational track record in the business, its reputed clientele and inflow of orders as per the current order book position.



Press Release

IVR has principally relied on the standalone provisional financial results of Infratech Construction Company up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Continuous improvement in the operating margin combined with adequate cash accruals leading to high reinvestment in the firm
- Sustained improvement in TOL/TNW.

Downward Factors

- Moderation in scale of operations or profitability impacting the liquidity profile
- Substantial withdrawal of capital from the partnership firm resulting in a decrease in the company's net worth.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoters in the industry**

Mr. Ujwal Pagariya, Mr. Ulhas Pagariya, Mr. Umesh Pagariya and Mr. Raj Umesh Pagariya are the partners of the firm. Though ICC has been incorporated recently, promoters have been involved in the civil construction business since the 1980s through other partnership ventures.

- **Significant improvement in scale of operations and strong profitability margins**

Infratech construction company (ICC) reported increase in total operating income (TOI) of the firm. TOI increased from Rs. 666.96 crore in FY23 to Rs. 818.56 crore in FY24 (Prov.). This increase was majorly due higher execution of orders from EPC Sector. The profitability margins of the entity largely depend upon nature of contract executed. EBITDA improved and stood at Rs. 116.94 crore in FY24 (Prov.) as against Rs. 86.63 crore in FY23. The EBITDA margin of the entity increased by 130 bps and stood at 14.29% in FY24 (Prov.) as against 12.99% in FY23, due to high margins earned on executed projects. PAT improved from Rs. 53.79 Crore in FY23 to Rs. 79.52 Crore in FY24 (Prov.). PAT margin improved by 159 bps and stood at 9.63% in FY24 (Prov.) as against 8.04% in FY23, in line with EBITDA margin.



Press Release

Gross cash accruals stood at Rs. 82.86 crore in FY24 (Prov.) as against Rs. 55.91 crore in FY23.

- **Comfortable capital structure and debt protection ratios**

The capital structure stood moderate with long term debt upon equity and overall gearing at 0.12x and 0.25x as on 31st Mar'24 as against 0.04x and 0.16x as on 31st Mar'23, due to decrease in total debt. TOL/TNW decreased but stood comfortable at 1.33x in FY24 (Prov.) from 1.27x in FY23, due to increase in creditors. Total debt to GCA (in years) stood comfortable at 0.68x in FY24 (Prov.) as against 0.54x in FY23. The debt protection metrics of the entity remains comfortable with interest coverage ratio at 87.25x in FY24 (Prov.) as against 28.97x in FY23, due to decrease in interest and finance charges and proportionately increase in EBITDA. And debt service coverage ratio (DSCR) improved and stood at 14.66x in FY24 (prov.) as against 11.80x in FY23.

- **Healthy order-book position**

With an extensive experience in the construction industry, the firm is at a better position to bid and execute orders from government bodies. The firm has total unexecuted order book of Rs. 3307.31 crore as on 01.04.2024. The unexecuted order book is 4.04 times of provisional turnover achieved in FY24. The orders are mostly from PWD Maharashtra and provides medium term revenue visibility.

Key Rating Weaknesses

- **Competitive nature of the industry and orderbook concentration risk**

The firm faces stiff competition from many players in the domestic market as the business is driven through tenders which restricts the margins. The firm also operates in an industry which is capital-intensive. This may also affect the execution of the projects. Also, the order book is concentrated with state of Maharashtra only leading to geographical concentration risk.

- **Inherent risk associated with the constitution of the firm**

Being a partnership firm, there always remains a risk of withdrawal of funds by the partners. The entity has also given a large sum of deposits to group entities.

- **Volatility in raw material prices**

The firm is a diversified civil engineering firm and carries out building construction, land and civil contract of any nature for Government Work or as a sub-contract. Firm is using raw



Press Release

materials such as steel, concrete, wood, tiles etc based on its availability. The prices of these raw materials are highly volatile which causes a threat to the operating margins of the firm.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Instrument/Facility wise Default Recognition & Post-Default Curing period](#)

[Complexity level of Rated Instruments/Facilities](#)

Liquidity –Adequate

The company's liquidity is adequate marked by expectation of sufficient cushion in cash accruals against its debt repayments for the next 3 years. The company has Current Ratio of 1.12x as of March 31, 2024. The Unencumbered cash and bank balance of company stood at Rs. 12.66 Crores as on 31st March 2024. The average utilisation of fund-based limits stands low at 48.89% and for non-fund-based limits at 47.75%, during the past 12 months ended May'24. The Operating Cycle of the entity improved and stands comfortable with 12 days in FY24 (Prov.) as against 18 days in FY23 with an increase in scale of operations.

About the firm

Infratech Construction Company (ICC) is a partnership firm registered under the partnership act, 1932, is promoted by Pagariya family and was incorporated in 2017. The firm is a diversified civil engineering firm and carries out building construction, premises development, land and civil contract of any nature for Government work or as a sub-contract. Though ICC has been incorporated recently, promoters have been involved in the civil construction business since the 1980s through other partnership ventures.

Financials (Standalone):

(Rs. crore)



Press Release

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	666.96	818.56
EBITDA	86.63	116.94
PAT	53.79	79.52
Total Debt	28.41	56.72
Tangible Net Worth	190.09	228.80
EBITDA Margin (%)	12.99	14.29
PAT Margin (%)	8.04	9.63
Overall Gearing Ratio (x)	0.15	0.25
Interest Coverage (x)	28.97	87.25

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Brickwork ratings vide its press release dated November 23rd, 2023, has continued to classify the ratings of the company under issuer not cooperating on account of non-submission of relevant information.

Any other information: Not Applicable

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 (March 13 th , 2024)	Date(s) & Rating(s) assigned in 2023-24 (February 16, 2024)	Date(s) & Rating(s) assigned in 2022-23 (December 09, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Sep 14, 2021)
1.	Fund based bank facilities – Cash credit	Long Term	100.00	IVR BBB / Positive	IVR BBB / Stable	IVR BBB / Stable	IVR BBB / Stable	IVR BBB / Stable
2.	Non-fund-based bank facilities – Bank Guarantee	Short Term	100.00	IVR A3+	IVR A3+	IVR A3+	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



Press Release

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.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund based bank facilities – Cash Credit	-	-	-	-	100.00	IVR BBB/ Positive
Non-fund-based bank facilities – Bank Guarantee	-	-	-	-	100.00	IVR A3+

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Infratech-july24.pdf>



Press Release

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.

