

Rating Rationale

Brickwork Ratings assigns ‘BWR BB+’ & ‘BWR A4+’ for Bank Loan Facilities of ₹ 22.60 Cr of Alectra Construction Limited.

Brickwork Ratings (BWR) has assigned the following Ratings for the Bank Loan Facilities of Alectra Construction Limited (ACL or the ‘Company’):

| Facility | Limits (₹ Cr) | Tenure | Rating ¹ |
|---|-----------------------------|---|--|
| Fund Based Cash Credit Limit | 4.00 | Long Term | BWR BB + (Pronounced as BWR Double B Plus) (Outlook: Stable) |
| Non Fund Based Standby Line of Credit Bank Guarantee | 0.60 18.00 | Short Term | BWR A4+ (Pronounced as BWR A Four Plus) |
| Total | 22.60 | (INR Twenty Two Crores and Sixty Lakhs only) | |

***Availed from State Bank of India**

BWR has principally relied upon the audited financial statements up to FY13, provisional financial for FY14, projected financial statements for FY15, publicly available information and information/clarifications provided by the company's management.

The ratings reflect the experienced and competent management; having more than 30 years of experience in the same business line, established relationship with its reputed government clients, moderate gearing ratio, sustainable operating margins and moderate order book position. However, the ratings are constrained by the inconsistency in revenues, high working capital intensive nature of operations, high geographical concentration risk; limited to the area of Bihar State and delays in realization of payments from Government clients is a key rating sensitivity.

Background:

Alectra Construction was reconstituted in 2004 as a closely held public limited company, from earlier partnership firm existing since 1982. Alectra Construction Limited is a “A1” class Civil Contractor registered under contractors list of Government of Bihar. The Company handles Infrastructure and Construction projects for the clients such as NHAI, RCD, PWD, NHPC etc. The entire business of the Company is tender-based and revenues are generated from the

Government clients only. The Company uses raw materials as per the specifications mentioned in the contracts. Further, All current projects have a periodicity of 12-36 months depending on the size of the project to be executed.

M/S Mani Cold Storage Pvt. Ltd is wholly owned subsidiary of ACL, which provides cold storage facilities on lease. The main source of revenue of this subsidiary company is rental income.

Management Profile:

The promoters of the Company are Sh. Anil Kumar Singh (Managing Director) and his son Sh. Dhananjay Singh, director of the Company. They both look after its overall business operations. The other two directors; Smt. Rashila Singh (w/o Sh. Anil Kumar Singh) and Smt. Archana Singh (w/o Sh. Dhananjay Singh) are not participating in day to day activities of the business.

Financial Performance:

Net sales decreased from ₹ 48.00 Cr in FY12 to ₹ 42.14 Cr in FY13 due to delays in settlement of sales realization. However, as per FY14 provisional revenues went up to ₹ 60.55 Cr on account of bigger projects executed by ACL. Net profit of the company in FY13 decreased to ₹ 1.68 Cr from ₹ 1.76 Cr in FY12.

In FY13, Debt equity ratio has improved to 0.36X which reflects moderate financial risks of the Company. The tangible net worth stood at ₹ 12.19 Cr in FY13 as compared to ₹ 10.51 Cr in FY12.

Rating Outlook

The outlook of the Company is expected to be stable for the current year. Going forward, the ability of the Company to sustain the growth in revenues and profitability, timely realization of contract payments from the clients, scale up its operations by covering neighboring states and ability to maintain its order book position would be the key rating sensitivities.

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