

## Rating Report

### Brickwork Ratings assigns 'BWR BB +' & 'BWR A4+' for Bank Loan Facilities aggregating ₹ 22.60 Cr of Alectra Construction Limited

Brickwork Ratings (BWR) has assigned the following **Ratings**<sup>1</sup> for the Bank Loan Facilities of Alectra Construction Limited (*ACL or the 'Company'*).

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

*\*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.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

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.

### **Associate Concern – Mani Cold Storage Pvt. Ltd**

The management of the firm remains the same as of Alectra Constructions Limited. Mani Cold Storage Pvt. Ltd provides warehousing facilities on lease mainly to the self-dependent farmers. The Company also have tie up with Bihar Government to provide warehouses for a short term lease. The main source of revenue is rental income. Currently, the Company has 3 warehouses located in Samastipur District (100 km from Patna)

### **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.

### **Top Customers:**

<b>Customer Name</b>	<b>Length of Association</b>	<b>Products/Services availed</b>	<b>Location</b>
National Highway Authority of India (NHAI)	Since 2006	road construction	some parts of UP & Bihar
Road Construction Dept. (R.D.C.)	Since 2006	Departmental civil work for Govt. of Bihar	Samastipur Dist.
Central Public Works Dept. (CPWD)	Since 2006	4 lane state highway	Samastipur & Darbhanga
National Hydroelectric Power Corporation Ltd (NHPC)	Since 2006	civil works	Samastipur Dist.

### **Observations:**

- The Company has short term and long term contracts with reputed government customers.
- The Company has to face some delays in realization of contract amount from the customers.
- The Company gets approximately 10 percent of the total project costs in advance.
- In case of any delay in approvals from Government side or any significant escalation in raw material prices, the Company will be compensated as per the agreement.

### Details of Current Projects:

Name of Dept.	Name of Work/Projects	Starting Date	% works completed as on May 2014	Completion Date	Value (In Rs Crores)	Work to be completed
NHAI (National Highway, Chapra)	Widening & strengthening of NH 101	Dec 2012	60.00%	Nov 2014	32.00	12.80
R.C.D Muzaffarpur	Widening & strengthening Turki Chowk to Pakkin Sarai	Jan 2013	40.00%	Jan 2015	39.00	23.40
R.C.D Muzaffarpur	Maithri-Bakhri Pilkhi	Jan 2013	80.00%	July 2014	20.00	4.00
R.C.D. Samastipur	Widening & strengthening of SH 50 from Jamui Nadi to Mushrigharari NH 28	Under Process (bid submitted)			37.00	N.A.
R.C.D. Samastipur	Widening & strengthening Saidpur, Saidpur Hat road	Under Process (bid submitted)			27.00	N.A.
<b>Total Value (Current Projects)</b>					<b>91.00</b>	<b>40.20</b>

Note:

- All the current projects have a periodicity ranging from 12-36 months depending on the size of the project to be executed.
- The average time of the firm for project execution is 15 months.
- Since average of 50 % of the work is pending, ACL is expected to generate revenue of approx. ₹70.00 Cr during FY15.
- During FY13, the company has participated in tenders worth ₹100 Cr and its success rate was approx. 62 percent.

**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.

ACL manages its working capital efficiently, as reflected in the Cash Conversion Cycle of 3 days in FY13. However, cash conversion cycle is expected to increase up to 19 days mainly due to increase in day's receivables. ACL receives payments within 40 to 50 days from its government customers.

The consistent increase in the profitability levels, along with moderate debt levels will continue to result in its moderate debt protection metrics; the Company's interest coverage and net cash accrual to total debt (NCATD) ratios are expected at 3.18 times and 46 percent respectively for FY14.

In FY13, Debt equity ratio (excluding Bank Guarantee exposure of ₹18.00 Cr) 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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**Alectra Construction Limited**  
**Annexure I – Profit & Loss Account**

<b>In ₹ Crores</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
<b>Result Type</b>	Audited	Audited	Audited	Provisional
Gross Sales	44.76	48.00	42.14	60.55
<b>Net Sales</b>	<b>44.76</b>	<b>48.00</b>	<b>42.14</b>	<b>60.55</b>
<b>Total Operating Income</b>	<b>44.76</b>	<b>48.00</b>	<b>42.14</b>	<b>60.55</b>
Raw Material Consumed	28.39	31.73	26.16	37.69
Employee Cost	12.51	12.40	10.77	14.98
Manufacturing Expenses	0.10	0.11	0.13	0.23
<b>Cost of Goods Sold</b>	<b>41.01</b>	<b>44.24</b>	<b>37.07</b>	<b>52.90</b>
Selling, General and other Administrative expenses	0.64	0.24	1.78	1.85
<b>Operating Expenses</b>	<b>41.65</b>	<b>44.48</b>	<b>38.85</b>	<b>54.75</b>
<b>OPBDIT</b>	<b>3.11</b>	<b>3.52</b>	<b>3.29</b>	<b>5.80</b>
Depreciation	0.24	0.25	0.26	0.40
<b>OPBIT</b>	<b>2.87</b>	<b>3.27</b>	<b>3.03</b>	<b>5.40</b>
Interest and Finance Charges	0.50	0.82	0.76	1.83
<b>OPBT</b>	<b>2.37</b>	<b>2.45</b>	<b>2.27</b>	<b>3.57</b>
Non-Operating Income(Expenses)	0.12	0.20	0.16	0.10
<b>PBT</b>	<b>2.49</b>	<b>2.65</b>	<b>2.42</b>	<b>3.67</b>
Provision for Taxes	0.83	0.89	0.75	1.14
<b>PAT</b>	<b>1.66</b>	<b>1.76</b>	<b>1.68</b>	<b>2.54</b>

**Alectra Construction Limited**  
**Annexure II – Balance Sheet**

<b>In ₹ Crores</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
<b>Result Type</b>	Audited	Audited	Audited	Provisional
<b>Liabilities</b>				
<b>EQUITY AND RESERVES</b>	<b>11.51</b>	<b>10.51</b>	<b>12.19</b>	<b>14.73</b>
Share capital	6.00	2.00	2.00	2.00
Share application pending allotment	0.35	1.60	1.60	1.60
Reserves and Surplus	5.15	6.91	8.59	11.12
<b>Non-current liabilities</b>	<b>0.75</b>	<b>0.67</b>	<b>0.50</b>	<b>0.37</b>
Long-Term Borrowings	0.75	0.67	0.49	0.36
Deferred tax Liabilities (Net)	0.00	0.00	0.01	0.01
<b>Current liabilities</b>	<b>8.42</b>	<b>9.79</b>	<b>11.50</b>	<b>14.34</b>
Short-Term Borrowings	3.63	4.99	3.91	6.07
Trade Payables	4.36	3.32	3.32	4.04
Other Current Liabilities	0.43	0.57	3.53	3.10
Short-Term Provisions	0.00	0.90	0.74	1.13
<b>Total Liabilities</b>	<b>20.68</b>	<b>20.97</b>	<b>24.19</b>	<b>29.44</b>
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>1.95</b>	<b>2.37</b>	<b>2.34</b>	<b>2.65</b>
Net Fixed assets	1.95	2.37	2.34	2.65
Non-Current Investments	0.00	0.00	0.00	0.00
Long Term Loans and Advances	0.00	0.00	0.00	0.00
<b>Current assets</b>	<b>18.73</b>	<b>18.60</b>	<b>21.85</b>	<b>26.78</b>
Current Investments	2.46	2.77	4.71	4.82
Inventories	0.01	0.06	0.04	0.41
Trade Receivables < Six Months	4.64	4.37	6.87	10.54
Cash and Cash Equivalents	3.02	0.20	0.43	0.25
Short-Term Loans and Advances	0.00	0.47	0.04	0.06
Other Current Assets	8.60	10.73	9.76	10.70
<b>Total Assets</b>	<b>20.68</b>	<b>20.97</b>	<b>24.19</b>	<b>29.44</b>

**Alectra Construction Limited**  
**Annexure III – Ratio Analysis**

<b>In ₹ Crores</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
<b>Result Type</b>	Audited	Audited	Audited	Provisional
Tangible Net Worth	11.50	10.51	12.19	14.72
Capital Employed	15.88	16.17	16.60	21.16
Total Debt/TNW	0.38	0.54	0.36	0.44
Long Term Debt/TNW	0.07	0.06	0.04	0.02
TOL/TNW	0.80	0.99	0.98	1.00
ISCR	6.22	4.29	4.30	3.18
DSCR	4.80	3.05	3.14	2.51
Net Cash Accruals/Total Debt	0.43	0.35	0.44	0.46
Net Cash Accruals/Long Term Debt	2.52	2.99	3.92	8.16
Net Profit Margin	3.70	3.67	3.98	4.19
Operating Profit Margin	6.95	7.33	7.80	9.58
ROCE	18.06	20.41	18.49	28.60
Current Ratio	2.22	1.90	1.90	1.87
Days Receivables	38	34	49	52
Days Inventory	0	0	0	2
Days Payable	56	44	46	35
Conversion Cycle	-18	-10	3	19