

AK Infraprojects Private Limited

February 04, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	12.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	35.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	47.00 (Rs. Forty-Seven Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from AK Infraprojects Private Limited to monitor the rating vide e-mail communications dated January 24, 2022, November 15, 2021, November 12, 2021, October 11, 2021, October 04, 2021, and numerous phone calls etc., However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating based on the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on AK Infraprojects Private Limited now be denoted as CARE BB;/Stable/CARE A4 ISSUER NOT COOPERATING.

Users of this rating (including investors, lenders, and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating is based on non-availability of requisite information and no due diligence conducted with banker due to non-cooperation by AK Infraprojects Private Limited with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating PR dated 06th Nov 20, the following were the rating weaknesses and strengths.

Key Rating Weaknesses

Modest though fluctuating scale of operations

AKIPL's scale of operations remained modest as marked by total operating income and gross cash accruals of Rs. 148.91 crore and Rs.4.82 crore respectively, in FY21. The modest scale limits the firm's financial flexibility in times of stress and deprives it of scale benefits.

Project execution risk inherent in various contracts

Given the nature of projects awarded, the firm is exposed to inherent risk in terms of delays in certain projects undertaken by the firm due to delay in approvals and sanction from regulatory bodies, land acquisition issues etc. thus exposing AKIPL towards the risk of delay in projects resulting in a delay in the realization of revenue growth. Also, the company's ability to execute a project in timely manner led by its own operational efficiency and timely stage payments received from clients exposes the company to potential risk.

Exposure to tender-driven nature of business with intense competition faced by the firm

AKIPL's business is tender-based which is characterized by intense competition resulting into moderate operating margins for the firm. Although, it is a government approved civil contractor in Uttar Pradesh, there are also a number of other approved vendors for the same. The growth of business depends entirely upon the firm's ability to successfully bid for tenders and emerge as the lowest bidder. However, the firm's existing execution capabilities provide some degree of comfort in this regard. Furthermore, the high concentration on government contracts makes ABS susceptible to any drop in government spend on infrastructure projects and changes pertaining to government policy regarding awarding of tenders to contractors.

High Receivables

Due to the nature of the project and counter party being government entities, AKIPL has high receivable outstanding of Rs. 57.64 crore on March 31, 2020 and Rs. 62.73 crore as on March 31, 2021. The high receivable along with long gestation period in recovery of the same put pressure on the liquidity position of the company leading to full utilization of working capital limits.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Investment in other joint ventures

AKIPL has investment in other joint venture of Rs. 28 cr. as on March 31, 2020. The company is implementing project in Mumbai with other JV partner and has extended loans and advances towards the initial commencement of project. The said JV is having order in hand of more than Rs.150cr. Also with the commencement of project, the company is hopeful of recovery from the said JV and has already received Rs.4.5cr during H1FY21. However considering the high investment, it is imperative for the company to realize the loans and advances in timely manner.

Key Rating Strengths

Established presence with extensive experience of the proprietor in the civil construction industry

Currently, the firm is being managed by Mr. Awadesh Kumar Pathak (Director), Mr. Suresh Kumar Pathak (Director) and Mr. Ramesh Kumar Pathak (Director). Mr. Awadesh Kumar Pathak is a postgraduate and has more than a two decade of experience in the construction industry. Mr. Suresh Kumar Pathak and Mr. Ramesh Kumar Pathak are both graduates and have around two decades of experience in the construction industry. They have experience through their association with this firm (Established in 2008) and other sister concern AK Construction Company which is also involved in civil construction. They are involved in managing the day-to-day affairs of the business.

Registered as Class A contractor with PWD, Uttar Pradesh

AKCC has executed projects for PWD, Unnao district of Uttar Pradesh and is a "class A contractor" for the same. PWD being a government entity, counter party default risk remains low, although the risk of delay in payment continues to remain. With the partners' extensive industry experience, marketing effort and timely execution of projects, the firm has been able to establish long-standing relationship with its single client.

Liquidity- stretched: The liquidity position of the company is stretched owing to high receivable. The working capital limits remained 100% utilized in the past 12 months, period ending July 31, 2020. Also the company has regularly taken adhoc limits to fund its working capital requirement. The company has availed moratorium offered by banks in line with the RBI guidelines in wake of Covid-19 pandemic.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's methodology for Hospital Industry](#)

[Criteria on assigning Outlook and credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial Ratios – Non-Financial Sector](#)

About the Company

Uttar Pradesh based AK Infraprojects Private Limited (AKIPL) was incorporated as a private limited company on January 29, 2008 by Mr Awadesh Kumar Pathak, Mr. Suresh Kumar Pathak and Mr. Ramesh Kumar pathak. The company is engaged into civil construction and undertakes projects for Government departments like Public Works Department (PWD), PMGSY and some PSU's. AKIPL is registered as a Class A contractor with PWD, UP Irrigation Department, UP Power Corporation and has tendered various contracts involving construction of roads, bridges, government buildings, etc, since Inception.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	123.28	148.91	NA
PBILDT	5.53	7.37	NA
PAT	2.04	4.66	NA
Overall gearing (times)	1.78	0.89	NA
Interest coverage (times)	2.32	2.91	NA

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term		-	-	-	12.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	35.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based-Long Term	LT	12.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (06-Nov-20)	-	-
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	35.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4 (06-Nov-20)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based-Long Term	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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