

## Assmas Constructions Private Limited

December 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	0.47 (Reduced from 0.72)	CARE BB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	26.00	CARE BB; Stable / CARE A4	Reaffirmed
Short Term Bank Facilities	10.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1

### Rationale and key rating drivers

The reaffirmation of the rating assigned to the bank facilities of Assmas Constructions Private Limited (ACPL) is tempered by its small scale of operations leading to thin cash accruals, moderate profitability margins, working capital intensive nature of operations and stretched liquidity position. The rating is further tempered by the company's highly competitive and fragmented industry with tender driven nature of operations and geographical concentration risk.

The rating, however, derives strength from the established track record of the company with experienced promoters in civil construction work, moderate order book position with comfortable capital structure and debt coverage indicators.

### Rating Sensitivities: Factors likely to lead to rating actions

#### Positive Factors

- Sustained increase in scale of operations of the company exceeding Rs. 100.00 crore
- Improvement in profitability margins with PBILDT margin exceeding 15% and PAT margin exceeding 8% on a sustained basis

#### Negative Factors

- Substantial decline in achievement of revenues and profitability on a sustained basis
- Deterioration in profitability margins with PBILDT margin below 5% and PAT Margin below 3% on a sustained basis
- Deterioration in overall gearing exceeding 2.0x on a sustained basis

**Analytical approach:** Standalone

### Outlook: Stable

The continuation of "Stable" outlook reflects CARE Ratings Limited's (CARE Ratings) expectation of continued to support from its experienced promoter, with stable order book generation thereby maintaining sustainable scale of operations and healthy financial risk profile.

### Detailed description of the key rating drivers:

#### Key weaknesses:

**Significant decline in revenue during FY24; albeit recovery during 7MFY25:** The total operating income of ACPL declined by 31.83% to Rs.50.85 crore in FY24 as against TOI of Rs.74.59 crore in FY23 due to lower execution of orders led by slow moving nature of contracts undertaken during the year along with spillover of order execution at year end. Further, during 7MFY25 (refers to April to October 2024), the company reported net sales of Rs. 48.28 crore (95% of the TOI for FY24). The significant increase in the revenue led by execution of the spillover orders along with higher execution of the ongoing orders on the back of clearance of the sites received during the year. The revenue is expected to increase during FY25 on the back of higher revenue generation along with expectation of satisfactory orderbook execution during the year.

**Moderate profitability margins:** PBILDT margin of ACPL declined to 10.31% in FY24 (vis-à-vis 11.91% in FY23) on account of lower execution of the orders leading to proportionate increase in the various fixed costs. The PAT margin has also declined significantly to 2.68% in FY24 from 6.04% in FY23 due to decline in the PBILDT margins along with an increase in the interest and depreciation cost during the year. The company expects profit margins to recover during FY25 on the back of the expected increase in the scale of operations.

**Working capital intensive nature of business:** Being into construction activity, working capital cycle of ACPL remains elongated on account of slow recovery of debtors (along with retention money), translating into a higher collection period. The company primarily takes construction contracts for roads and bridges and deals with PWD. Usually, ACPL raises invoices on a milestone basis, where payment is received within 30-90 days after raising the invoice, which has delayed to 120 days during FY24 due to unavailability of fund with government. Further, the spillover of the order execution has led to an increase in the inventory period to 53 days in FY24, compared to 7 days in FY23. Accordingly, the creditors' days also increased from 33 days in FY23 to 68 days in FY24. All these factors led to higher utilization of the working capital limits during FY24. Further, gross current asset (GCA) days have increased from 121 days in FY23 to 250 days in FY24 owing to higher receivables and other current assets.

**Geographical concentration risk and high dependence on government spending:** All the projects in hand of the company are concentrated in states such as Goa and Kerala; exposing the company to geographical concentration risk. Moreover, the entire revenue of ACPL comes from government contracts, which makes the company susceptible to any drop in government spending on infrastructure projects and changes pertaining to policies regarding awarding of tenders to contractors.

**Tender driven nature of business operations:** ACPL's major portion of the revenue is from tenders floated by government departments. Increase in the number of bidders in government contracts results in highly competitive intensity. Furthermore, a tender driven nature and lengthy bidding process can impact the revenue growth of the company while timely completion of orders and translation of the same into revenues remain critical.

**Presence in highly seasonal and cyclical roads & highways industry:** ACPL depends on a highly cyclical and seasonal EPC industry with maximum order book in roads repair works. The orders are to be executed quickly and face procedural hurdles during monsoon which slows down the execution of orders. This has an impact on the performance of the company in the first half of the fiscal. Thus, the ability of the company to increase the scale of operations and sustain profit margins amidst seasonal and cyclical scenario would be critical from the credit perspective.

## Key Strengths

**Long track record and experienced promoters:** ACPL is Private limited company incorporated in 2004 by Mr. Ahamed Abdull Cherkala, Mr. AL Ameen Cherkala and Mr. Shabeeb Cherkala are qualified engineers in the Civil and Architect domain and have more than two decades into civil construction business. The company has established its presence in the construction business through its long track record of operations in civil construction activities. It has executed works in the states of Goa, Kerala, Karnataka.

**Moderate orderbook position:** The company has a satisfactory order book position of Rs. 121 crore (2.38x of TOI for FY24) as on November 30 2024 which are to be executed in next 12- 24 months. The projects undertaken by the company are mainly from government entities of Goa and Kerala. Also, as informed by management, the company has also been selected for L1 position for order amounting to ~Rs. 60 crore (for projects in Goa) for which LOA is awaited and the same expected to get by March 2024. Hence, timely execution of the same along securing its order book on periodic basis thereby maintaining the order book to revenue ratio below 2x remains key monitorable.

**Comfortable capital structure and debt coverage indicators:** The capital structure of ACPL has slightly deteriorated albeit remained comfortable with overall gearing at 0.32x as on March 31, 2024 (vis-à-vis 0.18x as on March 31, 2023) with moderate net based which stood at Rs. 30.53 crore as on March 31, 2024. The said deterioration was due to higher utilization of the working capital limits led by an increase in the debtors and inventory level as on balance sheet date. Debt coverage indicators remained comfortable although moderated marked by interest coverage and TD/GCA stood at 3.80x and 2.64x respectively in FY24 (PY: 7.34x and 0.81x respectively). The deterioration in the same was on account of lower profitability led by a reduction in the TOI.

**Liquidity Stretched:** The liquidity position of the company remained stretched marked by low free cash and bank balance of Rs.0.05 crore as on March 31, 2024. The company reported Gross Cash Accruals (GCA) of Rs. 3.66 crore during FY24 and having repayment obligations of about Rs. 1.83 crore for FY25 and Rs. 1.27 crore for FY26. The construction segment inherently has high working capital intensity primarily due to funding requirement towards the security deposits, margin money for the non-fund-based facilities, receivables and inventory. However, the same has been funded through internal accruals, working capital bank borrowings and mobilization advances. Further, the current ratio and quick ratio stood comfortable at 2.07 times and 1.31 times respectively as on March 31, 2024. The net cash flow from operating activities stood negative at Rs. 8.13

core in FY24 due to increase in receivables and inventory (work in progress) during the year. Maximum average utilization of fund-based limits stood at 87% and non-fund-based limit at ~94% and during past 12 months ended October 2024.

### Applicable criteria:

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

## About the Company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

ACPL is a Private Limited Construction Company, having its head office in Goa and branch office at Kerala. It was established on 1984 by Mr. C. A. Ahamed and reconstituted as private limited company in 2004. ACPL is mainly engaged in undertaking PWD contracts for construction of Roads, Bridges, Flyovers, etc. all over the State of Goa, Maharashtra, Karnataka and Kerala. The services rendered by the company are catered to for both private as well as state government entities whereby it gets orders through the bidding process. It procures raw materials (such as cement, steels, rods, bricks, bitumen, diesel and other construction materials) from local suppliers. ACPL is a registered Class-I (A) approved contractor with the state government for GOA, Kerala and Karnataka.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	7MFY25 (UA)
Total operating income	74.59	50.85	48.28
PBILDT	8.88	5.24	NA
PAT	4.51	1.36	NA
Overall gearing (times)	0.18	0.32	NA
Interest coverage (times)	7.34	3.80	NA

A: Audited UA: Unaudited; NA- Not available Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Nil

**Any Other information:** Not Applicable

**Disclosure of Interest of Independent/Non-Executive Directors of CARE:** Not Applicable

**Disclosure of Interest of Managing Director & CEO:** 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

**Lender details:** Annexure-5

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	Jan-2028	0.47	CARE BB; Stable
Fund-based - LT/ ST-Bank Overdraft		-	-	-	7.50	CARE BB; Stable / CARE A4
Fund-based/Non-fund-based-LT/ST		-	-	-	3.50	CARE BB; Stable / CARE A4
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	15.00	CARE BB; Stable / CARE A4
Non-fund-based - ST-Bill Discounting / Bills Purchasing		-	-	-	10.00	CARE A4

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ST-Bank Overdraft	LT/ST	7.50	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (06-Dec-23) 2)CARE BB; Stable / CARE A4 (16-Jun-23)	1)CARE BB; Stable / CARE A4 (24-Mar-23)	1)CARE BB; Stable / CARE A4 (03-Mar-22)
2	Non-fund-based - LT/ST-Bank Guarantee	LT/ST	15.00	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (06-Dec-23) 2)CARE BB; Stable / CARE A4 (16-Jun-23)	1)CARE BB; Stable / CARE A4 (24-Mar-23)	1)CARE BB; Stable / CARE A4 (03-Mar-22)
3	Non-fund-based - ST-Bill Discounting / Bills Purchasing	ST	10.00	CARE A4	-	1)CARE A4 (06-Dec-23) 2)CARE A4 (16-Jun-23)	1)CARE A4 (24-Mar-23)	1)CARE A4 (03-Mar-22)
4	Fund-based/Non-fund-based-LT/ST	LT/ST	3.50	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (06-Dec-23) 2)CARE BB; Stable / CARE A4 (16-Jun-23)	1)CARE BB; Stable / CARE A4 (24-Mar-23)	1)CARE BB; Stable / CARE A4 (03-Mar-22)
5	Fund-based - LT-Term Loan	LT	0.47	CARE BB; Stable	-	1)CARE BB; Stable (06-Dec-23) 2)CARE BB; Stable (16-Jun-23)	-	-

LT: Long term; ST: Short term; LT/ST: 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 the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Bank Overdraft	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	Simple
5	Non-fund-based - ST-Bill Discounting / Bills Purchasing	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.

## Contact us

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### About us:

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