Alpa Infrastructure Limited

February 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	73.00	CARE BBB-; Stable / CARE A3	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of Alpa Infrastructure Limited (AIL) derives strength from its experienced promoters with a track record of over two decades in the construction industry, its growing scale of operations while maintaining healthy profitability with healthy financial risk profile, moderate dependence on subcontracting and adequate liquidity.

The above rating strengths, however, are partially offset by AIL's low orderbook with high segment and geographical concentration, its presence in an intensively competitive construction industry and vulnerability of profitability to volatility in raw material prices.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations above ₹250 crore, while maintaining its profit before interest, depreciation, lease and taxes (PBIDLT) margin above 13% and its existing financial risk profile.

Negative factors

- Significant increase in working capital intensity or any large debt-funded capital expenditure adversely affecting debt coverage indicator marked by total outside liability to tangible net worth (TOL/TNW) above 1.2x.
- Decline in scale of operations below ₹100 crore or deterioration in PBILDT margins below 12% on sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the company shall continue to benefit from its experienced promoters and its healthy financial risk profile.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with a long track record of operations

The key promoter, Rasik Gondaliya has over two decades of experience in the construction industry and oversees the overall affairs of the company. He is supported by his son, Mr. Nikunj Gondaliya, the Managing Director, who manages the company's overall operations. Under their leadership, AIL has built a strong operational track record spanning over two decades and has completed over 40 major maintenance (MM) work, road construction, and building construction contracts on engineering, procurement and construction (EPC) basis. Moreover, AIL has invested in the latest equipment and machinery (gross block of ₹46.61 crore as on March 31, 2024), to enhance its project execution capabilities and gradually reducing its reliance on sub-contracting.

Growing scale of operations with healthy profitability

AIL's total operating income (TOI) has grown at a compound annual growth rate (CAGR) of 16.18% in the last three years, reaching ₹242.87 crore in FY24 (FY refers to April 01 to March 31), up from ₹154.88 crore in FY22, driven by efficient execution. In 7MFY25 (provisional), AIL's reported a TOI of ₹77.53 crore.

AIL has maintained a healthy PBILDT margin in the range of 11-13.40% in the last three years, with an improvement of 133 basis points (bps) year-on-year (y-o-y) to 13.40% in FY24. With inhouse fleet of equipment and machinery, AIL's sub-contracting expense, as a percentage of cost of sales, has reduced to 13.32% in FY24 from 25.56% in FY23.

Healthy financial risk profile

AIL is debt-conservative, marked by total debt of ₹15.71 crore on a tangible net worth base of ₹ 65.09 crore, resulting in low overall gearing of 0.24x as of March 31, 2024, compared to 0.35x as of March 31, 2023. AIL's debt coverage metrics marked by PBILDT/ Interest Coverage and TOL/TNW stood comfortable at 14.95x (FY23: 8.29x) and 0.91x (FY23: 1.24x) respectively as on FY24 end.

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

Key weaknesses

Low orderbook with segment and geographical concentration

As of September 30, 2024, AIL had an order book of ₹104.81 crore, representing 0.43x of TOI for FY24, indicating low revenue visibility. However, AIL executes multiple short and mid-term MM contracts. The order book is primarily concentrated in the roads and buildings segment, exposing the company to segment concentration risks. Moreover, ~92% of AIL's order book, is concentrated to Saurashtra region, Gujarat making AIL vulnerable to changes in government policies within the state. Additionally, AIL secures MM contracts for roads and highways primarily from a single EPC contractor, which exposes the company to customer concentration risk.

Presence in intensively competitive industry

AIL operates in a highly competitive construction industry, where projects are awarded based on the bidder's relevant experience, its financial strength, and the most competitive bid price. The industry is characterised by intense competition, driven by a large number of small and medium-sized players, which leads to aggressive bidding and may exert pressure on its profitability. Additionally, due to the inherent cyclicality of the construction sector, maintaining profitability through operational efficiency is crucial.

Profitability susceptible to raw material price volatility

AIL's profitability is susceptible to fluctuations in input costs as some contracts span over 12 months. However, the majority of ongoing orders have an inbuilt price escalation clause, which helps AIL to mitigate the risks associated with unfavourable movements in input prices.

Liquidity: Adequate

AIL's liquidity position remained adequate, marked by healthy cash accruals of ₹24.34 crore, against scheduled repayments of ₹3.70 crore in FY25. Cash flow from operations remained stable at ₹19.44 crore during FY24 (FY23: ₹20.35 crore). AIL's cash and bank balance including free liquid investments stood at ₹20.41 crore as of the end of FY24 (FY23: ₹11.32 crore). Average bank line utilisation for 12 months ending September 2024 stood low at ~45%, aiding its liquidity cushion. The current ratio and quick ratio improved in FY24 to 1.94x and 1.67x respectively (1.63x and 1.45x in FY23).

Environment, social, and governance (ESG) risks - Not applicable

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

AIL is a Rajkot, Gujarat-based company that started as partnership firm and is promoted by Mr Rasik H Gondaliya in February 2002 as private limited company and has been converted to public company with effect from February 11, 2025. AIL is engaged construction of highways, roads, buildings, pavement preservation, road operation and maintenance among others, on EPC basis for private and state government entities. It has completed over 40 projects in road development and maintenance, building and civil infrastructure works.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	October 31, 2024 (UA)
Total operating income	164.22	242.87	77.53
PBILDT	19.82	32.54	NA
PAT	10.69	19.75	NA
Overall gearing (times)	0.35	0.24	NA
Interest coverage (times)	8.29	14.95	NA

A: Audited; UA: Unaudited; NA: Not available Note: these are latest available financial results.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Working Capital Limits		-	-	-	14.70	CARE BBB-; Stable / CARE A3
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	58.30	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for 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	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	58.30	CARE BBB-; Stable / CARE A3				
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	14.70	CARE BBB-; Stable / CARE A3				

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Working Capital Limits	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

Contact us

Media Contact	**Analytical Contacts**
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Kalpesh Ramanbhai Patel Director **CARE Ratings Limited** Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in
Relationship Contact Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Ujjwal Manish Patel Associate Director **CARE Ratings Limited** Phone: 079-40265649 E-mail: ujjwal.patel@careedge.in Nisarg Shah Lead Analyst **CARE Ratings Limited** E-mail: Nisarg.shah@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For detailed Rationale Report and subscription information, please visit www.careedge.in