

## Allgrace Developers Private Limited

March 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	50.00	CARE BBB-; Stable / CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Allgrace Developers Private Limited (ADPL) factors in long standing experience of its promoters in the construction industry and growing scale of operations with moderate profitability. The ratings continue to derive strength from healthy order book position of the company with reputed clientele. The above rating strengths are constrained by its moderate capital structure, order book concentration leading to high dependence on few orders and fragmented nature of construction sector with tender-based nature of operations and execution challenges.

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

#### Positive factors

- Timely execution of its orders on hand and consequent increase in Total Operating Income (TOI) to above Rs.400 crore on a sustained basis resulting in improved cash accruals on a sustained basis.
- Improvement in its PBILDT margin over 12% on a sustained basis
- Improvement in the gearing position below 0.70x on sustained basis

#### Negative factors

- Decline in scale of operations by more than 20% from envisaged levels on account of delay in execution of the ongoing work orders
- Deterioration in the capital structure of the company as marked by overall gearing ratio of above 1.5x.
- Significant deterioration in its liquidity profile from envisaged levels.
- Elongation in Gross current asset (GCA) days beyond 220 days

### Analytical approach: Standalone

### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that ADPL will benefit from vast experience of promoters in the construction industry and will continue to sustain its financial and operational performance.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced promoters with established track record of operations

Allgrace Developers Pvt Ltd (ADPL) was incorporated in 2005, promoted by Mr. Vinod Kumar and Mr. Manoj Kumar. The company is engaged in construction and execution of Roads/ Highways, Integrated Development of Residential/ Industrial Projects and allied works. The promoter, Mr. Vinod Kumar and Manoj Kumar, have a vast experience of more than 2 decades in the same line of business. ADPL undertakes projects of construction and expansion of roads/highways and other related civil works at various locations all over India.

##### Growing scale of operations

The TOI of the company is growing in last 5 years from Rs.55.86 crore in FY20 to 194.70 crore in FY24 reflecting CAGR of 28.37%. The scale of operations of the company is growing however stood moderate as marked by total operating income and gross cash accruals of Rs.194.70 crore and Rs.12.93 crore, respectively, during FY24 (Audited results: refers to the period April 01 to March 31). The company has witnessed growth of 35.99% in the scale of operations (PY: Rs.143.18 crore) on account of increase in the execution of orders. Till Feb 24, 2024, the company has already booked a net revenue of ~Rs.200 crores. The tangible

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

networth remained moderate at Rs.43.33 crore (PY: Rs. 28.73 crore) as on March 31, 2024. The modest scale limits the company's financial flexibility in times of stress and deprives it from scale benefits.

### **Moderate Profitability Margins**

The profitability margins of the company improved in FY24 however remains moderate i.e. PBILDT margins and PAT margins stood at 9.61% in FY24(A) (PY: 8.52%) and 4.60% in FY24(A) (PY: 3.87%) respectively.

Moreover, the contracts with tenor of more than 12 months have built-in escalation clauses for any fluctuations in the raw material prices and labour cost which allows it to pass on any abnormal increase in input prices. Therefore, the profit margins are likely to be less affected due to raw material price fluctuations.

### **Healthy orderbook position translating into medium term revenue visibility due to established relations with reputed clientele**

As on November 30, 2024, ADPL has an outstanding orderbook of Rs.827.38 crore which is 4.25x of TOI of FY24. Over the years, the company has built strong relationship with renowned agencies including Public work Department (PWD), Himachal Pradesh Housing and Urban Development Authority (Himuda), Shapoorji Pallonji & Co. Ltd., SAB Industries Ltd. etc and considering the satisfactory work, it has managed to get repeat orders from its clients. ADPL's current clientele include reputed clienteles consists of private companies/ state government departments having good credit profile such as Krishna Constructions, CDS Infra Projects Ltd, PWD and Executive Engineer, NH Division, Pune etc, which minimises counterparty risk to certain

### **Key weaknesses**

#### **Moderate capital structure**

The capital structure of the company improved however remains moderate as marked by overall gearing of 0.78x as on March 31, 2024 (1.08x as on March 31, 2023). The improvement was mainly on account of improvement in the net worth with accretion of profits along with subordination of USLs (i.e. Rs.7.05 crore) as per the lender (HDFC bank) stipulation for maintaining the tangible net worth amounting Rs.43.33 crore till the currency of loan.

Further, the debt coverage indicators of the company also improved owing to increase in gross cash accruals with marginal increase in finance charges, marked by PBILDT interest coverage of 7.06x as on March 31, 2024 (PY: 5.27x) and TD/GCA of 2.61x (PY: 3.72x) as on March 31, 2024.

#### **Order book concentration and high dependence on few orders**

The order book is concentrated with majority of the orders from UP and Maharashtra. Further, there is client concentration also with 70% of the orders from two projects only against the total unexecuted order book. Though comfort can be derived from the ability of company to complete the projects within the time and cost estimates. However, in the long run the company needs to diversify its order book to reduce the dependence on any particular contract.

#### **Fragmented nature of construction sector with tender-based nature of operations and execution challenges**

The construction sector in India is highly fragmented with a large number of small and mid-sized players. This coupled with tendering process in order procurement results in intense competition within the industry, fluctuating revenues and restrictions in profitability. Additionally, continued increase in execution challenges including delays in land acquisition, regulatory clearances, aggressive bidding, interest rate risk and delays in project due to environmental clearance are other external factors that affect the credit profile of industry players. All these are tender-based and the revenues are dependent on the ability of the company to bid successfully for these tenders. Profitability margins come under pressure because of competitive nature of the industry and fluctuations in raw material prices. Also, there are numerous fragmented & unorganized players operating in the segment which makes the civil construction space highly competitive. However, the promoter's long industry experience of nearly three decades mitigates this risk to some extent.

#### **Liquidity: Adequate**

Liquidity position of the company is adequate as company has only repayment obligation of Rs.7.13 crore in FY25 against the healthy envisaged gross cash accruals of approximately Rs.17.00 crore. The current and quick ratio stood 1.15x and 0.99x as on 31 March, 2024 (A). The average utilisation of the working capital limits remained comfortable at 23% against the sanctioned limit of Rs. 25 crore in the last twelve months ended Nov 2024, leading to a sufficient liquidity cushion.

**Assumptions/Covenants:** Not Applicable

**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

Incorporated in 2005, Allgrace Developers Private Limited (ADPL) was directed by Mr. Vinod Kumar and Mr Manoj Kumar. ADPL is engaged in construction and execution of Roads/ Highways, Integrated Development of Residential/ Industrial Projects and allied works. ADPL secures all its contracts through open bidding process & sub contracting, and its clients largely include Government and corporate sector.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25(UA)*
Total operating income	143.18	194.70	200.00
PBILDT	12.19	18.71	NA
PAT	5.55	8.95	NA
Overall gearing (times)	1.08	0.78	NA
Interest coverage (times)	5.27	7.06	NA

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

\*These numbers are till Feb 24, 2025

**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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	50.00	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	50.00	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	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

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### About us:

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### Disclaimer:

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