

## Antech Construction Company

October 25, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	17.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	15.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable / CARE A4 (Double B Minus; Outlook: Stable / A Four) and moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>32.00</b> <b>(Rs. Thirty-Two Crore</b> <b>Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Antech Construction Company to monitor the ratings vide e-mail communications dated July 30, 2021, September 07, 2021, September 22, 2021 among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Antech Construction Company's bank facilities will now be denoted as **CARE B+; 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.***

*The revision in rating takes into account the non-availability of requisite information due to non-cooperation by Antech Construction Company with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.*

### Detailed description of the key rating drivers

*At the time of last rating on October 08, 2020 the following were the rating strengths and weaknesses*

#### **Key Rating Weaknesses**

##### **Modest scale of operations**

The firm has modest yet increasing scale of operations during the review period, marked by total operating income of Rs. 57.89 crore in FY20(prov.) and networth base of 13.47 crore as on March 31, 2020(prov.) with revenue majorly concentrated towards PWD contract works in Kerala.

##### **Leveraged capital structure**

ACC has leveraged capital structure marked by overall gearing of 3.54x as on March 31, 2020(prov.) however improved from 5.07x as on March 31, 2019 on account of accretion of profits to reserves coupled with decrease in debt profile at the back of scheduled repayment of term loan (vehicle loans). The debt profile consists of working capital borrowing, vehicle loan and unsecured loan from related parties.

##### **Working capital intensive nature of operation**

Being in construction sector with works concentrated towards infrastructure development the firm operates in working capital intensive nature of operation marked by high inventory days of 297 days in FY20 (Prov.) which stood flat with previous year (290 days in FY19). The elongation in the inventory period mainly accounts for the unbilled revenues which are yet to be billed and realized from the government contracts during the year end. The firm raises invoices based on percentage of completion of work and usually receives payment within 30 days from govt. department based on availability of funds. The company issues bank guarantee for retention money, mobilization advance, bid security and treasury deposits. Notably, the

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer did not cooperate; based on best available information

creditors extend up to 70 days. Above all, the average utilization of working capital borrowing for the month ended August stood at 90%.

***Profitability margins are susceptible to fluctuation in raw material prices***

The basic input materials for execution of contracts are steel, bitumen and cement, the prices of which are highly volatile. Hence, the operating margin of the firm is exposed to any sudden spurt in the input material prices along with increase in wage paid to labour, being in labour intensive industry any price fluctuation can adversely affect the profitability margins of the firm.

***Tender driven nature of business with highly competitive intensity***

ACC participates in the tender passed by the government for civil construction of different state government departments. Hence, the entire business prospects are highly dependent on the government tenders. Further, the profitability also varies among the projects. Hence, the aggressive bidding by the players in order to bag the contracts with high competition may lead to dip in its profitability.

***Partnership nature of concern with inherit risk of withdrawal of capital***

ACC, being a partnership firm, is exposed to inherent risk of partners' capital being withdrawn at time of personal contingency and firm being dissolved upon the retirement/insolvency of partners which may put pressure on financial flexibility of the firm.

***Key Rating Strengths***

***Experienced promoter with moderate track record of operation.***

ACC was established as partnership firm in 2009 by Mr. O.P. Markrose along with family members in a motive to setup family business operation. Later in July 2016, Mr. O.P. Markrose retired from the partnership and the business was continued with remaining partners namely Mr. Anish Markrose, Mr. Anil Markrose and Ms. Lily Markrose. All the partners' gains experience more than a decade in the construction business which in turn benefitted the firm in maintaining long standing relationship with its suppliers and government departments. The day to day operations are managed by Mr. Anish Markrose along with his brother Mr. Anil Markrose.

***Growth in TOI with healthy profitability margins***

The total operating income of the firm has increased at Compounded Annual Growth Rate (CAGR) of 13.83% from Rs.39.25 crore in FY18 to Rs.57.89 crore in FY20 (Prov.) led by continuous increase in receipt of work orders.

The profitability margin marked by PBILDT margin of the firm stood healthy over the years though declined Y-O-Y basis on the back of substantial increase in input cost and other indirect expenses related to operation coupled with tender based nature of operations. Nevertheless, the decline in PBILDT margin of 871bps from 28.99% in FY19 to 20.28% in FY20(prov.), on account of aforesaid reasons. Further, the PAT margin fluctuating in the brackets of 5.27%-6.55% during FY18-FY20 (Prov.), however improved in FY20 (Prov.) to 6.34% from 5.27% primarily due to decrease in interest costs.

***Satisfactory debt coverage indicators***

The debt coverage indicators marked by total debt to GCA stood satisfactory at 7.22x in FY20(prov.) improved as against 8.90x on account of reduction in total debt aided by scheduled repayment of term debts coupled with increase in GCA levels. Further, with increase in operating profit along with reduction in interest costs at the back of loan repayments enabled the interest coverage ratio to be improved to 3.06x in FY20 (Prov.) viz-a-viz 2.02x in FY19.

***Medium term revenue visibility from order book position***

ACC has an order book position of Rs.128.05 crore as on August, 2020 and the same is likely to be completed by February 2021. Further the order book position to sales ratio stood at 1.85x which reflects medium-long term revenue visibility. The current order book of the firm is geographically and client concentrated from areas in and around Kerala.

**Analytical Approach:** Standalone

**Applicable criteria**

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

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

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

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

[Rating Methodology – Construction Sector](#)

[Rating Criteria on Short Term Instruments](#)

### About the Firm

Antech construction company (ACC) was established as partnership firm in 2009 by Mr. O.P. Markrose along with family members in a motive to setup family business operations. Later in July 2016, Mr. O.P. Markrose retired from the partnership and the business was continued with remaining partners namely Mr. Anish Markrose, Mr. Anil Markrose and Ms. Lily Markrose. ACC is majorly engaged in construction of roads for both state-national highways. Further, the firm undertakes orders for construction of bridges and receives work orders from PWD Kerala by participating in the tenders. The entity has not opted for covid moratorium whereas availed covid loan of Rs. 2.51 crore on October 2020 with tenure of 48 months including holiday period of 12 months.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (P)
Total operating income	47.96	57.89
PBILDT	13.90	11.74
PAT	2.53	3.67
Overall gearing (times)	5.07	3.54
Interest coverage (times)	2.02	3.06

A: Audited, P: Provisional

**Status of non-cooperation with previous CRA:** India ratings has reviewed based on best available information and classified Antech Construction Company into 'issuer not cooperating' category vide PR dated April 10, 2018.

**Any other information:** Not Applicable

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

**Covenants of rated instrument / facility:** Not Applicable

**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 - LT-Cash Credit	-	-	-	-	17.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	-	15.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information

### 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 - LT-Cash Credit	LT	17.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (08-Oct-20)	-	-
2	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST*	15.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable / CARE A4 (08-Oct-20)	-	-

\*Long term/Short term

### Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantees	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 has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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