

Press Release

Anupam Nirman Private Limited

September 06, 2021

Rating Upgraded



Total Bank Facilities Rated	Rs.125.00 Cr
Long Term Rating	ACUITE A-/ Stable (Upgraded)
Short Term Rating	ACUITE A2+ (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long term rating to **'ACUITE A-' (read as ACUITE A minus)** from **'ACUITE BBB+' (read as ACUITE Triple B plus)** and also upgraded the short term rating to **'ACUITE A2+' (read as ACUITE A two plus)** from **'ACUITE A2' (read as ACUITE A Two)** on the Rs. 125 Cr bank facilities of Anupam Nirman Private Limited (ANPL). The outlook is **'Stable'**.

The rating upgrade of ANPL takes into account the improving business risk profile of the company as reflected from its increasing revenue backed by strong order book position. The upgrade also factors in its healthy financial position characterized by conservative leverage, robust debt coverage and strong liquidity. These strengths are partially offset by elongated working capital cycle and the intense competition in the construction industry.

About the company

Incorporated in 2010, Anupam Nirman Private Limited (ANPL) is engaged in construction of roads and bridges for the state government of Assam and West Bengal, Central Government and Indian Railways. The business was started as a sole proprietorship firm in 1999 in the name of Anupam Sharma and changed constitution to a closely held company in 2010 with name changed to its current name. Currently, the company is headed by Mr. Anupam Sharma, Mr. Prakash Agarwal, Mr Anindya Sharma and Mr Ashok Agarwal, who all are promoter directors. ANPL is a registered contractor with various Public Works Department (PWD) departments in Assam and in West Bengal, National Highway Works in Assam, National Building Construction Corporation (NBCC), National Projects Construction Corporation Limited (NPCC) and North East Frontier Railways.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of ANPL to arrive at the rating.

Key Rating Drivers

Strengths

- Established track record of operation and experienced management**

Established in 2010, Anupam Nirman Private Limited (ANPL) has a long operational track record of more than two decades in the civil construction industry, through their erstwhile proprietorship concern, Anupam Sharma. The key promoters of ANPL are Mr. Anupam Sharma, Mr. Prakash Agarwal, Mr Anindya Sharma and Mr Ashok Agarwal. Acuite believes its established market presence and extensive experience of the promoters in the civil construction industry has helped them to get repeat orders from government agencies and that is expected to sustain going forward.

- Strong order book position**

The company has strong order book position with unexecuted orders in hand for infrastructure projects worth around Rs. 1523.62 Cr as on July 2021 which are to be executed in the upcoming two to three years, thereby providing adequate revenue visibility in the medium term. Nearly 47.2 per cent of the Company's order book is from road infrastructure segment, 31.5 per cent from bridge construction, 15.3 per cent from Indian Railways and 6 per cent from the building and integrated infrastructure. More than fifty per cent of the orders are from the central government and remaining from the state government of Assam. All its projects are sourced through direct tenders.

- **Steady growth in revenues along with healthy profitability levels**

ANPL has achieved revenues of Rs. 394.64 Cr in FY2021 (provisional) as compared to revenues of Rs.341.22 Cr in FY2020. Further, the stability in revenue is backed by an unexecuted healthy order book position to the tune of about Rs.1523.62 Cr as on 31st March, 2021 which will be executed in the upcoming years. Till July 2021, the company has been able to achieve a revenue of Rs. 165 Cr (Prov). Acuite believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term.

The profitability margin of the company have improved with PAT margin of 7.59 per cent as on FY2021 (provisional) as against 7.20 per cent as on FY2020. The operating margin stood at 14.51 per cent in FY21 (provisional) as compared to 15.52 per cent in the previous year. The RoCE levels stood at a comfortable level of 28.38 per cent in FY2021 (provisional) as against 31.45 per cent in FY2020.

- **Comfortable financial risk profile**

The company's healthy financial risk profile is marked by healthy networth base, comfortable gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs.115.15 Cr as on March 31, 2021 (Provisional) from Rs.85.19 Cr as on March 31, 2020 due to accretion of reserves. Gearing of the firm stood below unity at 0.53 as on March 31, 2021 (provisional) as compared to 0.74 as on March 31, 2020. The debt of Rs 60.58 Cr mainly consists of unsecured loans of Rs.32.71 Cr, long term borrowings of Rs.13.63 Cr, current obligations of Rs.10.29 Cr and working capital borrowing of Rs.3.94 Cr as on March 31, 2021 (provisional). The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.95 times as on March 31, 2021 (provisional) as against 2.59 times as on March 31, 2020. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 12.80 times as on March 31, 2021 (provisional) and Debt Service Coverage Ratio at 2.24 times as on March 31, 2021 (provisional). Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.71 times as on March 31, 2021 (provisional). Acuite believes that going forward the financial risk profile of the firm will remain healthy with no major debt funded capex plans.

Weakness

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 213 days as on March 31, 2021 (provisional), as compared to 239 days as on 31st March 2020. The high GCA days are on account of high level of current assets due to security deposits on construction contracts and retention money. However, the debtor period stood comfortable at 17 days as on 31st March 2021 (provisional) as compared to 21 days as on 31st March 2020. Further, the inventory holding stood comfortable at 29 days as on 31st March 2021 (provisional) as compared to 35 days as on 31st March 2020. Acuite believes that the working capital operations of the firm will remain almost at the same levels as evident from the high level of retention money.

- **Competitive and fragmented nature of industry**

With increased focus of the central government on the infrastructure sector, ANPL is expected to reap benefits over the medium term. However, most of its projects are tender-based and face intense competition, which may hence require it to bid aggressively to get contracts. Competition can intensify further due to the recent relaxation in bidding norms by NHAI and the Ministry of Road Transport & Highways (MoRTH). Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical.

Rating Sensitivity

- Growth in revenue along with improvement in profitability margins
- Reduction in order flow
- Elongation of working capital cycle

Material Covenant

None

Liquidity Profile: Strong

The company's liquidity is strong marked by the net cash accruals stood at Rs.43.15 Cr in March 31, 2021 (provisional) as against long term debt repayment of only Rs.16.73 Cr over the same period. The current ratio stood at 1.46 times as on March 31, 2021 (provisional) as compared to 1.35 times as on March 31, 2020. The fund based limit remains utilized at only 16 per cent over the seven months ended July, 2021. However, the working capital cycle of the company is high as reflected by Gross Current Assets (GCA) of 213 days as on March 31, 2021 (provisional), as compared to 231 days as on 31st March 2020. Acuite believes that going forward the company will maintain strong liquidity position due to steady accruals.

Outlook: Stable

Acuite believes the company's outlook will remain stable over the medium term on account of experience of the promoters, long track record and healthy order book position. The outlook may be revised to 'Positive' in case the company continues to register consistent growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile and liquidity position or delay in completion of its projects or further deterioration in its working capital cycle.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	394.64	341.22
PAT	Rs. Cr.	29.96	24.56
PAT Margin	(%)	7.59	7.20
Total Debt/Tangible Net Worth	Times	0.53	0.74
PBDIT/Interest	Times	12.80	6.85

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Cr)	
12-June-2020	Cash Credit	Long term	12.00	ACUITE BBB+/Stable (Assigned)
	Cash Credit	Long term	3.00	ACUITE BBB+/Stable (Assigned)
	Proposed Fund based Facility	Long term	10.00	ACUITE BBB+/Stable (Assigned)
	Bank Guarantee	Short Term	67.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A2 (Assigned)
	Proposed Non Fund based Facility	Short Term	18.00	ACUITE A2 (Assigned)

*Annexure – Details of instruments rated

Lender's Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A-/Stable (Upgraded)
Punjab National Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A-/Stable (Upgraded)
Not Applicable	Proposed Fund based Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A-/Stable (Upgraded)
State Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	67.00	ACUITE A2+ (Upgraded)
Punjab National Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A2+ (Upgraded)
Not Applicable	Proposed Non Fund based Facility	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A2+ (Upgraded)

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About Acuité Ratings & Research

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