

Press Release

Anupam Nirman Private Limited

November 17, 2022

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	-	ACUITE A1 Upgraded
Bank Loan Ratings	25.00	ACUITE A Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	125.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long term rating to **'ACUITE A' (read as ACUITE A)** from **'ACUITE A-' (read as ACUITE A minus)** and also upgraded the short term rating to **'ACUITE A1' (read as ACUITE A one)** from **'ACUITE A2+' (read as ACUITE A two plus)** on the Rs. 125 Cr bank facilities of Anupam Nirman Private Limited (ANPL). The outlook is **'Stable'**.

Rationale for the rating

The rating upgrade factors in the improvement in the financial risk profile of ANPL led by deleveraging of its capital structure translating into negligible gearing and strong debt coverage indicators due to lower reliance on external debt apart from a sustained healthy operating performance. The ratings favourably factor in ANPL's strong order book position providing healthy medium-term revenue visibility buoyed by strong execution capabilities. The rating reflects the extensive experience of the promoters in the construction industry, along with reputed client profile of the company. The rating also derives comfort from the adequate liquidity position of the company marked by unutilized lines of fund-based limits, sufficient accruals and efficient collection mechanism. These strengths are partially offset by moderate level of working capital intensity attributable to retention money blockage, order book concentration risks and geographical concentration.

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 PWD departments 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

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

Key Rating Drivers

Strengths

Experienced management and established relationship with customers

Mr. Anupam Sharma is the leading promoter of the Company who is supported by other partners Mr. Prakash Agarwal, Mr. Anindya Sharma and Mr. Ashok Agarwal. 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, established in 1999. It has successfully completed various projects under different departments of government like rural development, water resources, National Highway, Railway, PWD, Assam Construction Corporation, National Building Construction Corporation (NBCC), National Projects Construction Corporation Limited (NPCC). The long standing experience of the promoter and long track record of operations has helped him to establish comfortable relationships with key suppliers and reputed customers. Acuité believes that the long track record and rich experience of the promoters augur well for the relationship with their key suppliers and customers.

Sound business risk profile supported by strong order book position

The operating revenue of the company improved to Rs 519.98 Cr in FY 2022 (Provisional) as compared to Rs 393.84 Cr in FY 2021. Till September 2022, the company has been able to achieve a revenue of Rs. 282.17 Cr (Prov). However, high labour cost amid the economic slowdown and higher cost inventory kept the margin under pressure both in FY 2021 and FY 2022. The profitability margins of the company declined with operating margin at 11.25 per cent in FY2022 (Provisional) as compared to 12.38 per cent in the previous year. The PAT margins also declined to 6.82 per cent as on FY2022 (Provisional) as against 718 per cent as on FY2021. The RoCE levels for the company stood comfortable at 28.24 per cent in 2022 (Provisional) as against 27.44 per cent in FY2021. Though the company's profitability is exposed to volatility in raw material prices as their prices are volatile in nature, it has an in-built price escalation clause for major raw materials (such as steel, cement, fuel and bitumen) in most of its contracts. Going forward, the improvement in profitability margins will remain a key rating sensitivity.

The company has a strong order book position with unexecuted orders in hand for infrastructure projects worth around Rs. 2220.15 crore which are to be executed in the upcoming two to three years, thereby providing strong revenue visibility in the medium term. Nearly 48.40 per cent of the Company's order book comprises the road infrastructure, 25.22 per cent from the bridge construction, 5.76 per cent from the Indian Railways, 9.44 per cent from the building and 11.17 per cent from the water infrastructure. The orders are from both the central government and the state government of Assam. Acuité believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term.

Improvement in credit metrics, led by accelerated deleveraging

The considerable reduction in the debt levels following the repayment of term loans and conversion of major portion of unsecured loans into equity, lower working capital borrowings and a comfortable net worth position have supported the company's healthy capital structure. The tangible net worth of the company improved to Rs.173.65 Cr as on March 31, 2022 (provisional) from Rs.113.64 Cr as on March 31, 2021 mainly on account of an equity infusion of Rs. 24.54 Cr (Rs 0.29 Cr as Equity Share Capital and Rs 24.26 Cr securities premium) and the conversion of the unsecured loan along with accretion of reserves. Gearing of the

company further improved to 0.11 times as on March 31, 2022 (provisional) as compared to 0.56 times as on March 31, 2021. With higher retained earnings and net worth, the Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved to 1.24 times as on 31st March, 2022 (prov.) as against 2.05 times as on 31st March, 2021. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 17.05 times and Debt Service coverage ratio at 3.20 times as on 31st March, 2022 (prov.). Net Cash Accruals/Total Debt (NCA/TD) stood high at 2.37 times as on 31st March, 2022 (prov.). Acuité believes that going forward the financial risk profile of the company will remain healthy backed by steady accruals and no major debt funded capex plans.

Weaknesses

Working capital intensive nature of operation

The working capital management of the company has improved in FY22, although marked by Gross Current Assets (GCA) of 167 days in 31st March 2022 (prov) as compared to 216 days on 31st March with increased efficiencies in inventory and debtor management. The high GCA days are mainly led by significant margin money and retentions kept by the tendering authorities. Moreover, the retention amount in PWD projects cannot be released before the completion of the projects, with a portion remaining blocked during the defect liability period as well. The debtor period stood low at 12 days as on March 31, 2022 (Provisional) as compared to 16 days as on March 31, 2021. The receivables cycle has improved, with payments received in 5-10 days from billing, which supports the working capital management. Further, the inventory holding is low at 9 days as on March 31, 2022 (Provisional) as compared to 27 days as on March 31, 2021. The company focuses on easy mobilisation of its resources, thereby improving the turnaround time and reducing the idleness of machinery and equipment. Acuité believes that the working capital operations of the company will remain almost at the same levels as evident from efficient collection mechanism and low inventory levels over the medium term.

Nonetheless, the company has substantial dependence on its suppliers and creditors to support the working capital; creditors stood high at 164 days as on March 31, 2022 (Provisional). Sustained improvement in creditors will remain a key monitorable.

Rating Sensitivities

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

Material covenants

None

Liquidity Position: Strong

Liquidity is **strong**, supported by adequate cash accruals, unutilised bank lines, and adequate cash and cash equivalents. The net cash accruals stood at Rs. 46.98 Cr as on March 31, 2022 (Provisional) as against debt repayment of Rs. 12.16 Cr. over the same period. The large portion of its security deposits are being met through deposit from subcontractor (in proportionate to given work), which partly funds the working capital requirements of the company and therefore lower requirement of funds in business. As a result, the fund-based limit of Rs 25 Cr. was hardly utilized during the 9 months through September 2022. The cash and bank balances of the company stood at Rs.78.68 Cr as on March 31, 2022 (Provisional), of this Rs.77.11 Cr is retained as cash credit account balance and remaining as unencumbered cash. The current ratio stood comfortable at 1.46 times as on March 31, 2022 (Provisional). However, the non-fund based limit remained highly utilized at ~88.39 per cent over the nine months ended September, 2022. Moreover, the working capital intensive management of the company is marked by Gross Current Assets (GCA) of 167 days in 31st March 2022 (Provisional) as compared to 216 days in 31st March 2021. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	519.98	393.84
PAT	Rs. Cr.	35.47	28.29
PAT Margin	(%)	6.82	7.18
Total Debt/Tangible Net Worth	Times	0.11	0.56
PBDIT/Interest	Times	17.05	10.93

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Sep 2021	Bank Guarantee	Short Term	67.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Proposed Bank Facility	Long Term	10.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Proposed Bank Facility	Short Term	18.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Bank Guarantee	Short Term	15.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Cash Credit	Long Term	3.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Cash Credit	Long Term	12.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
12 Jun 2020	Proposed Bank Facility	Short Term	18.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	67.00	ACUITE A2 (Assigned)
	Proposed Bank Facility	Long Term	10.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	67.00	ACUITE A1 Upgraded
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	33.00	ACUITE A1 Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A Stable Upgraded
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE A Stable Upgraded

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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