

Press Release

Anoj Kumar Agarwala

February 24, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 22.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 22.00 crore bank facilities of Anoj Kumar Agarwala. The outlook is '**Stable**'.

Anoj Kumar Agarwala (AKA) is a Nagpur-based firm established in 1989 by Mr. Anoj Kumar Agarwala, Ms. Anjana Agarwala and Mr. Abhishek Garg. The firm constructs foot over bridges, bridges, roads, irrigation canals and platform shelters. The firm primarily executes contracts for PWD (Public Work Department), National Highway Authority of India (NHAI), Vidarbha Irrigation Development Corporation (VIDC) and Madhya Pradesh Rural Road Development Agency (MPRRDA).

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The promoters possess over three decades of experience in construction.

- **Healthy profitability**

AKA has healthy profitability marked by operating margin of 9.01 percent and NPAT (net profit margin) of 3.66 percent in FY2016 as against operating margins of 10.70 percent and profit margin of 3.86 percent in FY2015.

- **Moderate order book position**

AKA has an order book position of Rs.160.14 crore. Further, the firm is a Class A contractor (eligible to bid for unlimited tender value) and receives orders from PWD, NHAI and Vidarbha Irrigation Development Corporation (VIDC).

- **Healthy financial risk position**

AKA has healthy financial risk profile marked by high coverage and low gearing indicators. The ICR (Interest Coverage) stood at 4.42 times in FY2016 as against 4.27 times in FY2015. The gearing (debt-to-equity ratio) stood at 0.20 times as on March 31, 2016 as against 0.56 times as on March 31, 2015. The total debt mainly comprises working capital borrowings. The tangible net worth stood at Rs.13.47 crore as on March 31, 2016. (Tangible net worth includes subordinated quasi equity of Rs.2.54 crore for FY2016)

Weaknesses

- **Working capital intensive operations:**

AKA has working capital intensive operations marked by GCA (gross current assets) of 111 days in FY2016 as against 166 days in FY2015. This is on account of 63 days of inventory and 48 days of

debtors outstanding for FY2015-16. However, the firm is able to manage WCC (working capital cycle) comfortably with WCC days of ~134 in FY2016 as against -54 days in FY2015 due to extended credit terms received from suppliers marked by creditors days of 245 for FY2016. Further, the working capital borrowing remains underutilised.

• High dependence on government organisations

Since AKA deals largely with government organisations and the nature of business is tender based, any delay in project execution or receipts are likely to result in higher working capital requirements. However, this risk is mitigated owing to the established relations of the firm with state government departments.

• Competitive and fragmented nature of business

The firm is exposed to intense competition in the construction industry.

• Partnership constitution:

The partnership constitution of the firm exposes it to risk of capital withdrawal. However since FY2014, the firm has not only retained profits but also infused capital every year.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of AKA.

Outlook: Stable

SMERA believes that AKA will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to Positive in case the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to Negative in case of lower-than-expected growth in revenues and profitability, deterioration in the financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported profit after tax (PAT) of Rs.1.54 cr on operating income of Rs.42.08 cr, as compared with net profit of Rs.0.97 cr on operating income of Rs.25.17 cr in FY2014-15. The tangible net worth stood at Rs.13.47 cr as on March 31, 2016 as against net worth of Rs.11.91 cr a year earlier. (Tangible net worth includes subordinated quasi equity of Rs.2.54 crore for FY2016 and Rs.4.98 crore for FY2015).

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

ICRA Limited in its press release dated 23 December 2016 had inter alia mentioned the following - ICRA has suspended [ICRA] BB (pronounced ICRA double B) and [ICRA] A4+ (pronounced ICRA A four plus) ratings assigned to the Rs. 22.90 crore bank facilities of Anoj Kumar Agarwala (AKA). The suspension follows ICRA's inability to carry out a rating surveillance in the absence of requisite information from the company.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA A4+

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ABOUT SMERA

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