

Press Release

Ananta Procon Private Limited

June 12, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 44.00 Cr. (Enhanced from Rs. 24.00 Cr.)
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed and assigned the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 44.00 crore (enhanced from Rs.24.00 crore) bank facilities of Ananta Procon Private Limited(APPL). The outlook is '**Stable**'.

Ananta Procon Private Limited (APPL) based Gujarat was incorporated in 2011 by Mr. Kanji Patel. The company is engaged in tender based civil construction work for bridges, roads and land fillings for state government of Gujarat and Rajasthan. APPL has 'AA' class contractor registration under Government of Gujarat.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of APPL for arriving at the rating

Key Rating Drivers

Strengths

• Experienced Management

The key promoter of APPL, Mr. Kanji Patel has over four decades of experience in the civil construction and infrastructure industry. Other directors Mr. Mahendra Patel and other Directors have more than two decade of experience in same line of business through their association with other firms. The company is well supported by the second line of management. The extensive experience and reach of the promoters have helped the company in successful bidding of the orders.

• Improving revenue and healthy order book

The operating income of the company has increased by 12.46 percent to Rs. 121.39 crore in FY2019 (Provisional) as compared to Rs. 107.94 crore in FY2018. The revenue is growing at compounded annual growth rate (CAGR) of 37.87 percent since 2015. The growth in revenue is due to successful bidding of orders at competitive prices for Gujarat and Rajasthan government. The company has a healthy order book position marked by current orders in hand of Rs.129.52 crore. Out of the total orders, Rs.63.29 crore is to be executed in FY2020 and Rs.66.25 crore to be executed in FY2020 -22.

• Comfortable financial risk profile

The financial risk profile is comfortable marked by moderate net worth, comfortable debt protection measures and low gearing. The net worth of the company is Rs. 21.33 crore as on 31 March 2019 (Provisional) as against Rs.12.87 crore as on 31 March 2018. The improvement in net worth is on account of retaining of profits in the business. The company has followed a conservative financial policy as reflected by peak gearing of 1.01 times over the last three years through 2017-19. The gearing stood low at 0.40 times as on 31 March 2019 (Provisional) and 0.46 times as on 31 March 2018 against no major long term repayment obligation. The healthy revenue levels coupled with moderate operating margins have resulted in comfortable debt protection measures. The interest coverage ratio (ICR) also stood comfortable at 6.96 times in FY2019 (Provisional) as compared to 7.66 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.90 times as on 31 March, 2019 (Provisional) as against 1.35 times as on 31 March, 2018. The debt service coverage ratio (DSCR) also stood at 4.57 times in FY2019 (Provisional).

Weaknesses

• Geographic concentration and tender base nature of business

APPL established in 2011 has geographical concentration since the company operates only in Gujarat and Rajasthan. The majority of work is focused in Gujarat and Rajasthan which exposes the company to concentration risk. Any adverse delay in order or project execution will have significant impact on the overall financial risk profile of the company. Being a civil contractor, the revenue of APPL depends on the number of successful bids and availability of fresh tenders for bidding from the government.

• Highly competitive and fragmented industry

The company operates in the civil construction industry marked by intense competition from several mid to big sized players. The company faces intense competition from the other players in the sector. Further, margins remain affected by the risk to become more pronounced as tendering is based on minimum amount of bidding of contracts. The same can be seen through uneven margins during last three years ending FY2019.

Liquidity Position

APPL liquidity profile stood moderate marked by net cash accruals of Rs. 7.69 crore as against repayment obligation of Rs.0.49 crore for FY2019 (Provisional). The current ratio of the company also stood 4.12 times and gross current asset days stood at 32 days in FY2019 (Provisional). This has led to moderate reliance on working capital limits which stood 30.00 percent utilised for last six months ending April 2019. However bank guarantee limits were utilised at 75.00 percent for FY2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the near to medium term on account of healthy order book position, cash accruals and no major repayments over the medium term.

Outlook: Stable

Acuité believes that APPL will maintain a 'Stable' outlook and continue to benefit over the medium term from the extensive experience of its promoters. The outlook may be revised to 'Positive' in case of substantial increase in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or stretch in working capital cycle, weakening the overall financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	121.39	107.94	58.47
EBITDA	Rs. Cr.	9.94	11.73	5.12
PAT	Rs. Cr.	6.21	6.57	1.70
EBITDA Margin	(%)	8.19	10.86	8.75
PAT Margin	(%)	5.11	6.09	2.91
ROCE	(%)	37.70	69.25	30.62
Total Debt/Tangible Net Worth	Times	0.40	0.46	1.01
PBDIT/Interest	Times	6.96	7.66	2.98
Total Debt/PBDIT	Times	0.80	0.48	1.15
Gross Current Assets (Days)	Days	32	17	35

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-May-2018	Cash Credit	Long Term	9.00	ACUITE BBB- / Stable (Assigned)
	Bank guarantee	Short Term	15.00	ACUITE A3 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50 (reduced from 9.00)	ACUITE BBB- / Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	15.50	ACUITE A3 (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- / Stable (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB- / Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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