

Press Release

Ananta Procon Private Limited

April 01, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.68.50 Cr. (Enhanced from Rs.44.00 Cr.)
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 68.50 crore (enhanced from Rs.44.00 crore) bank facilities of Ananta Procon Private Limited (APPL). The outlook is '**Stable**'.

APPL a Gujarat-based private limited company was incorporated in 2011 by Mr. Kanji Patel. It is an ISO 9000:2000 certified company. The company has 'AA' class contractor registration under Government of Gujarat. APPL is engaged in tender based civil construction work for bridges, roads and land fillings for state government of Gujarat, Maharashtra and Rajasthan.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of APPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced Management and Healthy order book position

APPL is operating since 2011 and the key promoter Mr. Kanji Patel has over four decades of experience in civil construction and infrastructure industry. Other promoters also have more than two decades of experience in the same line of business through their association with other firms. The extensive experience and long-standing presence of the promoter's in the business have helped company to maintain healthy relations with customers and suppliers. 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. The operating income of the company has increased by 12.53 percent to Rs.121.47 crore in FY2019 as compared to Rs.107.94 crore in FY2018. The growth in revenue is due to higher execution of orders in month of March 2019. The revenue is growing at a compounded annual growth rate (CAGR) of 44.13 percent since 2015. APPL has booked revenue of Rs.51.31 crore for 10MFY2020. The decline in current scale of operation is due to stoppage of work in two projects mainly in Jodhpur, Rajasthan and Gujarat.

Further, the operating margins have declined to 8.89 percent in FY2019 as against 10.86 percent in FY2018 due to competitive bidding and tender base nature of operations. The company has healthy order book of Rs.794.00 crores to be execution within 3 to 4 years which includes old orders worth Rs.67.31 crores to be executed within the year. Thus providing revenue visibility over the near to medium term. Acuité believes that the company continues to benefit from the promoters' extensive industry experience in improving its business and financial risk profile over the medium term.

- **Comfortable financial risk profile**

The financial risk profile of the company stood comfortable marked by moderate net worth, comfortable gearing, and debt protections metrics. The net worth of the company stood at Rs.21.12 crore as on 31 March, 2019 as against Rs.12.87 crore as on 31 March, 2018. The Gearing stood moderate at 0.41 times as on 31 March, 2019 as against 0.46 times as on 31 March, 2018. TOL/TNW is also moderate at 1.18 times as on 31 March, 2019 as against 1.61 times as on 31 March, 2018. The total debt of 8.69 crore as on 31 March, 2019 consists of short-term debt of Rs.1.10 crore, unsecured loans from promoters stood at Rs.6.55 crore and long-term debt of Rs.1.05 crore. Interest coverage ratio and net cash accruals to total debt stood at 5.86 times and 1.12 times for FY2019, respectively. Acuité believes that the financial risk profile is expected to remain comfortable over the medium term on absence of any significant debt-funded capital expenditure and healthy order book over the medium term.

Weaknesses

- **Geographic concentration and tender based nature of operations**

APPL established in 2011 has geographical concentration since the company operates only in Gujarat, Maharashtra 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.

Rating Sensitivities

- Decline in revenues and delay in execution of projects
- Healthy order book position and financial risk profile
- Moderate working capital cycle and comfortable liquidity profile

Liquidity Position: Adequate

The liquidity of APPL stood adequate marked by moderate net cash accruals against repayment obligation and low GCA days of 42 for FY2019 as against 17 days for FY2018. The company generated cash accruals in the range of Rs.3.00 -9.74 crore for the period FY2017-19, while the debt repayment obligations stood around Rs.0.25-0.50 crore over the same period. The cash accruals are estimated to remain around Rs.5.00-10.00 crore during 2020-22 against debt obligations of around Rs.0.50-0.60 crore over the same period. APPL has unencumbered cash and bank balances of Rs.0.33 crore as on 31 March, 2019. The current ratio of the company stood at 6.06 times as on 31 March, 2019. Acuité believes that the liquidity of APPL is likely to remain healthy over the medium term.

Outlook: Stable

Acuité believes that APPL will maintain 'Stable' outlook in the medium term on account of extensive experience of promoters in the industry. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenues while maintaining profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of any significant decline in revenues or further stretch in working capital cycle leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	121.47	107.94
PAT	Rs. Cr.	8.26	6.57
PAT Margin	(%)	6.80	6.09
Total Debt/Tangible Net Worth	Times	0.41	0.46
PBDIT/Interest	Times	5.86	7.66

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

Not Applicable

Any other information

Not Applicable

Any Material Covenants

Not Any

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/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument/ Facility	Term	Amount (Rs. Cr)	Ratings/Outlook
12-Jun-2019	Cash Credit	Long Term	4.50	ACUITE BBB-/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	15.50	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB-/ Stable (Reaffirmed)
	Secured Overdraft	Long Term	2.50	ACUITE BBB-/ Stable (Assigned)
	Proposed Bank Facility	Short Term	4.50	ACUITE A3 (Assigned)
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	ACUITE BBB-/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB-/ Stable (Reaffirmed)
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB-/ Stable (Reaffirmed)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	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	20.50 (Enhanced from 15.50)	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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