

## Press Release

Ananta Procon Private Limited

May 06, 2021

Rating Upgraded



<b>Total Bank Facilities Rated*</b>	Rs. 68.50 Cr.
<b>Long Term Rating</b>	ACUITE BBB/Outlook: Stable (Upgraded from ACUITE BBB-/Stable)
<b>Short Term Rating</b>	ACUITE A3+ (Upgraded from ACUITE A3)

\*Refer Annexure for details

### Rating Rationale

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

The upgrade in the ratings factor in the improvement in scale of operations marked by healthy order book position providing revenue visibility over medium term. The rating upgrade are also driven by healthy financial risk profile, improvement in coverage indicators and comfortable debt protection metrics. Further, improved liquidity position and reduction of gross current assets days to 31 days as on March 31, 2021 (Provisional) from 98 days as on March 31, 2020 has resulted in stable operations. However, ratings are constrained by uneven margins and tender based nature of operations along with competitive industry landscape.

APPL is a Gujarat-based private limited company, incorporated in 2011 by Mr. Kanji Patel. It is an ISO 9000:2000 certified company and registered as 'AA' class contractor under Government of Gujarat. APPL is engaged in 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

The company has industry presence of over a decade 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 established network of the promoter's in the business has helped company to maintain healthy longstanding relations with customers and suppliers. The company is also well supported by the second line of management. The operating income of the company has increased by 97.72 percent to Rs. 140.45 crore in FY2021 (Provisional) as compared to Rs.71.03 crore in FY2020. The growth in revenue is due to higher execution of final orders in last quarter of FY2021. The revenue is growing at a compounded annual growth rate (CAGR) of 24.49 percent since 2017. The extensive experience and reach of the promoters have helped the company in successful bidding of the orders, resulting in healthy outstanding order book position of Rs. 638.52 crores which is to be executed in next 3 to 4 years' time span.

Further, the operating margins have declined to 6.93 percent in FY2021 (Provisional) as against 14.88 percent in FY2020 due to competitive bidding, new orders at initial stages and tender base nature of operations, delay in execution of new tenders. Further in FY2021 (Provisional), the company's PAT stood improved at

Rs.10.21 crore as against Rs.6.81 crore in FY2020. The PAT margins declined in FY2021 (Provisional) which stood at 7.27 percent as against 9.59 percent in FY2020. Acuité believes that the company continues to benefit from the promoters' extensive industry experience resulting in stable business and financial risk profile over the medium term.

#### • **Healthy financial risk profile**

APPL's financial risk profile stood healthy marked by moderate Net Worth, healthy gearing (debt to equity ratio) and comfortable debt protection metrics. The net worth of the company stood improved at Rs. 39.57 crore as on March 31, 2021 (Provisional) as against Rs. 27.93 crore as on March 31, 2020. The improvement in net worth is on account of retention of profits into the business. The gearing (debt to equity ratio) stood low at 0.16 times as on March 31, 2021 (Provisional) as against 0.30 times as on March 31, 2020. The total debt of Rs. 6.34 crore as on March 31, 2021 (Provisional) consist of unsecured loans which stood at Rs. 5.52 crores and short term debt of Rs.0.83 crore. The interest coverage ratio stood comfortable at 10.32 times as on March 31, 2021 (Provisional) as against 7.37 times as on March 31, 2020. TOL/TNW stood low at 1.15 times as on March 31, 2021 (Provisional) as against 1.20 times as on March 31, 2020. The net cash accruals to total debt stood at 1.83 times for FY2021 (Provisional) as against 0.97 times for FY2020. The Debt Service Coverage Ratio (DSCR) stood comfortable at 6.07 times as on March 31, 2021 (Provisional) as against 4.70 times as on March 31, 2020.

#### **Weaknesses**

##### • **Geographic concentration and tender based nature of operations**

APPL has established presence since 2011, however, exposed to geographical concentration risk. 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 also depends on the number of successful bids and availability of fresh tenders for bidding from the government. The same has resulted in uneven execution of orders and delay in some projects in past few years.

##### • **Highly competitive and fragmented industry**

The company operates in the civil construction industry which is marked by intense competition from several mid to big sized players. 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 FY2021 (Provisional). Moreover, industry scenario is cyclical and impacted by ongoing pandemic.

#### **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**

Liquidity of APPL is adequate marked by comfortable net cash accruals of Rs.8.20 crore to Rs.11.65 crore against repayment obligations of Rs. 0.45-Rs.0.97 crores during FY2019-2021. The accruals are expected to be in the range of Rs. 8.50 crore to Rs.12.50 crore against no major repayment obligation during FY2022-25. The current ratio of the company stood at 2.05 times as on March 31, 2021 (Provisional). It has unencumbered cash balances of Rs.0.47 crores as on March 31, 2021 (Provisional). Gross current assets (GCA) days stood at 31 days as on March 31, 2021 (Provisional) as against 98 days as on March 31, 2020

#### **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 position.

### About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	140.45	71.03
PAT	Rs. Cr.	10.21	6.81
PAT Margin (%)	(%)	7.27	9.59
Total Debt/Tangible Net Worth	Times	0.16	0.30
PBDIT/Interest	Times	10.32	7.37

### Any other information

Not Applicable

### Any Material Covenants

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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 (Rs. Cr.)	Ratings/Outlook
01-Apr-2020	Cash Credit	Long Term	1.00	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long Term	4.50	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	23.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	20.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Secured Overdraft	Long Term	2.50	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB-/Stable (Reaffirmed)
12-Jun-2019	Secured Overdraft	Long Term	2.50	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	15.50	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Short Term	4.50	ACUITE A3 (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	4.50	ACUITE BBB-/Stable (Reaffirmed)
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	1.00	ACUITE BBB/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB/Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A3+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.50	ACUITE A3+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3+ (Upgraded)
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB/Stable (Upgraded)

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**About Acuité Ratings & Research:**

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