



Press Release

A G Construction

August 29, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 60.00 crore bank facilities of A G CONSTRUCTION. The outlook is '**Stable**'.

A G Construction (AGC) was set up as a partnership firm by Mr. Aslam Khan, Mr. Arif Khan, and Mr. Mohsin Khan. AGC is engaged in the construction of barrages, canals, and dams. The firm is based in Aurangabad and undertakes operations across Maharashtra.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Moderate financial risk profile**

AGC has healthy financial risk profile. The firm has low gearing of 0.50 times as on 31 March, 2018 (Provisional) as compared to 0.74 times as on 31 March, 2017. Total debt mainly consists of working capital borrowings. AGC has healthy coverage indicators with interest coverage ratio (ICR) of 13.97 times in FY2018 (Provisional). Further, the operating margins of the firm stood healthy at 11.46 percent in FY2017-18 (Provisional).

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

AGC was established in 2004 as a partnership firm by Mr. Aslam Khan, Mr. Arif Khan, and Mr. Mohsin Khan. Hence has its presence in the construction business for over more than a decade.

- **Healthy order book position**

AGC has a healthy order book position marked by current orders in hand of Rs.1389.00 crore as on March, 2017.

Weaknesses

- **Moderate scale of operations due to tender based nature of business**

The operations of the AGC are considered to be at moderate level. The firm has achieved operating income of Rs.58.22 crore in FY2016-17 as compared to Rs.136.00 crore in FY2017-18 (Provisional). Being a civil contractor, the revenue of AGC depends on the number of successful bids and tenders being released in the financial year.

- **Working capital intensive operations**

The working capital intensive operations are marked by high Gross Current Asset (GCA) days of 106 in FY2018 (Provisional) compared to 319 days in FY2017. The GCA days are mainly dominated by inventory days of 56 in FY2018 (Provisional) as compared to 301 days in FY2017.

• **Competitive and fragmented industry**

The firm is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The firm faces intense competition from other players in the sectors. Risk becomes more pronounced as tendering is based on minimum amount of bidding of contracts.

• **Uneven revenue trend**

The revenue profile of AGC showed an uneven trend during the period under study. The revenues in FY2017 were Rs.58.22 crore as against Rs.60.29 crore in FY2016 and Rs.95.41 crore in FY2015. However, the revenues stood at Rs.136.00 crore in FY2018 on a provisional basis. The uneven revenue profile is due to the tender based business of the firm.

• **Capital withdrawal risk**

AGC is exposed to risk of capital withdrawal considering its partnership constitution. However, no such instances have been observed during the period under study.

Outlook: Stable

Acuite believes that AGC will maintain a 'Stable' outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if 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 the firm registers lower-than-expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	136.00	58.22	60.29
EBITDA	Rs. Cr.	15.59	7.59	6.69
PAT	Rs. Cr.	12.23	3.94	4.46
EBITDA Margin	(%)	11.46	13.04	11.09
PAT Margin	(%)	8.99	6.76	7.40
ROCE	(%)	29.47	15.97	19.48
Total Debt/Tangible Net Worth	Times	0.50	0.74	1.04
PBDIT/Interest	Times	13.97	4.06	6.90
Total Debt/PBDIT	Times	1.02	2.19	2.34
Gross Current Assets (Days)	Days	106	319	92

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A4+

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in Amogh Kharkar Analyst - Rating Operations Tel: 022-67141315 amogh.kharkar@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.