

## Press Release

### Essal Infrastructure Private Limited

November 20, 2018



### Rating Assigned

Total Bank Facilities Rated*	Rs. 23.55 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE BB**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 23.55 crore bank facilities of Essal Infrastructure Private Limited. The outlook is '**Stable**'.

Essal Infrastructure Private Limited (EIPL) was incorporated in the year of 2004 by Mr. Anand Agarwal, Mr. Arun Agarwal, Mr. Vijay Pratap Singh, Mr. Jai Prakash Agarwal and Mrs. Sushma Agarwal. The company is engaged in civil construction work for Naya Raipur Development Authority (NRDA) and Chhattisgarh Housing Board among others. The company is also engaged in mining excavation activity for the subsidiaries of Coal India Ltd.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of EIPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The Mr. Anand Aagrwal, Mr. Arun Agarwal, Mr. Vijay Pratap Singh, Mr. Jai Prakash Agarwal and Mrs. Sushma Agarwal of EIPL have more than two decades of experience in civil construction work and mining excavation. This experience has resulted in establishing healthy relationship with their key customers.

- **Above average financial risk profile**

The above average financial risk profile of the company is marked by moderate network, moderate gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.16.75 crore in FY2018 as compared to Rs.14.38 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood moderate at 1.61 times in FY2018 as compared to 1.65 times in FY2017. The total debt of Rs.26.97 crore consists of long term debt of Rs.9.86 crore, unsecured loan from promoters of Rs.11.16 crore and short term bank facility of Rs.5.96 crore. The interest coverage ratio (ICR) of the company stood healthy at 3.23 times in FY2018 as compared to 3.44 times in FY2017. The debt service coverage ratio (DSCR) of the company stood healthy at 1.43 times in FY2018 as compared to 1.55 times in FY2017. The net cash accruals against the total debt stand at 0.20 times in FY2018 as compared to 0.27 times in previous year.

#### Weaknesses

- **Working capital intensive nature of operation**

The company's operations are working capital intensive in nature as reflected in gross

current assets (GCA) of 229 days in 2017-18, as compared to 138 days in 2016-17. These high GCA days emanates from collection period and high inventory days of 97 and 65 days in FY18. The company's operations are expected to remain capital intensive, as the company is engaged extraction of coal and construction business, which leads to a relatively high collection and inventory period mainly nature of the construction business.

#### Competitive and fragmented industry

EIPL is into civil construction project under EPC revenue model, wherein the sector is marked by the presence of several mid to large sized players. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts, and susceptibility to inherent cyclicity in the road and other infrastructural sector. The recent relaxation of qualification norms by the Central Government for undertaking road projects is further expected to intensify the competitive scenario in the industry leading to pressure on the profitability margins. Acuite believes that EIPL's revenues and margins are susceptible to the competitive bidding scenario, besides its geographical concentration of its projects to the states of Chhattisgarh.

#### Outlook: Stable

Acuite believes EIPL will maintain a stable business risk profile in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improves its working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than- expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	54.22	80.38	48.10
EBITDA	Rs. Cr.	8.51	11.24	6.44
PAT	Rs. Cr.	2.37	3.05	2.49
EBITDA Margin	(%)	15.70	13.98	13.40
PAT Margin	(%)	4.38	3.80	5.18
ROCE	(%)	14.95	23.95	25.42
Total Debt/Tangible Net Worth	Times	1.61	1.65	1.58
PBDIT/Interest	Times	3.23	3.44	2.93
Total Debt/PBDIT	Times	2.91	2.06	2.64
Gross Current Assets (Days)	Days	229	138	227

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

NA

#### Any other information

NA

#### 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	6.00	ACUITE BB / Stable
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	0.05	ACUITE BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	17.50	ACUITE A4+

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## About Acuité Ratings & Research:

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