

Press Release

Anish Infracon India Private Limited

March 23, 2020

Rating Upgraded



Total Bank Facilities Rated*	Rs.120.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable (Upgraded from ACUITE BBB/ Stable)
Short Term Rating	ACUITE A2 (Upgraded from ACUITE A3+)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating to '**ACUITE A2**' (read as **ACUITE A two**) from '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.120.00 crore bank facilities of Anish Infracon India Private Limited (AIPL). The outlook is '**Stable**'.

The rating upgrade is in view of consistent improvement in operating performance marked by improvement in its revenues and profitability margins while maintaining its financial risk profile. The rating revision also draws comfort from healthy order book of Rs.341.00 crore as on February 29, 2020, providing revenue visibility for near to medium term.

Gujarat-based, AIPL was established as a partnership firm in the year 1978 by Vijapura family. Subsequently, the constitution changed to private limited company in 2010. AIPL is engaged in civil construction work such as, road construction work, sanctioned by the Central and the state government. Currently, AIPL is working in the states of Gujarat, Maharashtra and Madhya Pradesh.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management and improving business risk profile

The operations of AIPL commenced in 1978. The company is promoted by Vijapura family and promoters have experience of more than four decades in civil construction and well supported by a second line of generation. Due to established track record in the infrastructure industry, the company has established relations with its customers and suppliers which has benefitted in terms of new orders in competitive bidding.

AIPL's operating income witnessed growth in revenue and profitability over the last year through FY2019 at Rs.225.45 crore from Rs.142.19 crore in FY2018. Further, the profitability margins have also improved marked by operating margins and PAT margins of 5.84 percent and 2.99 percent in FY2019 as against 5.70 percent and 1.91 percent in FY2018, respectively. The company has unexecuted order book of Rs.341.00 crore as on February 2020, and expected to execute by FY2022.

Acuite believes that AIPL will continue to benefit from promoters' extensive experience in the industry and its improving business risk profile over the medium term.

• Healthy financial risk profile

AIPL's financial risk profile is healthy, marked by healthy net worth, low gearing and healthy debt protection metrics. The tangible net worth stood healthy at Rs.66.80 crore as on March 31, 2019. The net worth has grown gradually from Rs.54.04 crore as on March 31, 2017. The growth in net worth is fueled by healthy accretion to reserves and unsecured loan of Rs.7.31 crore as on March 31, 2019, treated as quasi equity. The company has followed conservative leverage policy, reflected through its peak gearing and Total outside Liabilities to Tangible net worth (TOL/TNW) level of 0.42 times as on

March 31, 2019 and 1.47 times as on March 31, 2019, respectively. The total debt of the company stood at Rs.27.74 crore as on March 31, 2019, includes working capital borrowing of Rs.24.13 crore and term loans of Rs.3.61 crore.

The debt protection metrics are healthy marked by interest coverage ratio stood (ICR) and debt service coverage ratio (DSCR) stood at 5.99 and 4.84 times for FY2019 as against 4.54 times and 3.91 times for FY2018, respectively. Acuite expects the financial risk profile to remain healthy over the medium term on account of healthy accretion to reserves and absence of significantly debt funded capex.

Weaknesses

• Project execution risk

AIPL undertakes civil projects for government entities. Further, timely completion of projects is dependent upon the time taken for handing over of land from the concerned authorities and for execution of work without any hindrances. The financial risk profile of AIPL will be directly impacted due to any delays caused by the above two factors. Further, AIPL, being a sponsor, would have to extend support to its SPVs, in case of any delays occur in the project execution or delays in receipt of Government grant. Further, the ability of the company to timely completion of a project will be a key rating sensitivity.

• Competitive and fragmented industry

AIPL is into the business of civil construction. This particular sector is marked by the presence of several mid to big size players. AIPL faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as management has been operating in this environment for last 42 years.

Liquidity Position: Adequate

Liquidity of AIPL is adequate marked by sufficient net cash accruals in the range of Rs.7.20-10.80 crore for the period of FY2017-19 against repayment obligation of around Rs.1.00 crore over the same period. AIPL's working capital operations are intensive, as the company is catering to the government entities, marked by gross current asset (GCA) days of 209 in FY2019. The company maintains unencumbered cash and bank balances of Rs.23.06 crore as on March 31, 2019. The current ratio of the company stood at 4.98 times as on March 31, 2019. Acuite believes that the liquidity of the company will remain adequate over near to medium term on account of stable net cash accruals, low repayment obligations and absence of any debt funded capex plans.

Rating Sensitivities

- Substantial improvement in scale of operation while maintaining profitability margins over the medium term.
- Timely completion of projects

Material Covenants

None

Outlook: Stable

Acuite believes AIPL will maintain a 'Stable' outlook in the medium term on account of its experienced management and improving business risk profile. The outlook may be revised to 'Positive' in case of substantial growth in revenues with timely execution of orders. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected revenues.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	225.45	142.19
PAT	Rs. Cr.	6.74	2.72
PAT Margin	(%)	2.99	1.91
Total Debt/Tangible Net Worth	Times	0.42	0.17
PBDIT/Interest	Times	5.99	4.54

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

Not Applicable

Any other information

None

Any Material Covenants

None

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>
- Entities in Infrastructure Sector - <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 / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Aug-2019	Secured Overdraft	Long Term	15.00	ACUITE BBB / Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB / Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB / Stable (Assigned)
	Bank Guarantee	Short Term	49.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A3+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB+/Stable (Upgraded from ACUITE BBB / Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB+/Stable (Upgraded from ACUITE BBB / Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB+/Stable (Upgraded from ACUITE BBB / Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	49.00	ACUITE A2 (Upgraded from ACUITE A3+)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A2 (Upgraded from ACUITE A3+)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2 (Upgraded from ACUITE A3+)

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