

Press Release

Anish Infracon India Private Limited

June 14, 2021

Rating Upgraded



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

* Refer Annexure for details

Rating Rationale

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

Reason for rating Upgrade

The rating upgrade reflects a substantial improvement in the overall business and financial risk profile of the company. The improvement in the business risk profile is reflected through the increased scale of operation in FY2021 and FY2020 as compared to the preceding years due to healthy execution of its order book in FY 2021. . The growth in revenue is expected to be sustained in medium term backed by healthy order book size of Rs. 857.45 crore which is approximately 3 times of its revenue in FY 2021. Moreover, the company has witnessed a sharp improvement in its capital structure and debt protection ratios due to sustenance of healthy profitability margin. Acuite believes that efficient working capital management will remain critical to sustained growth in the scale of operations.

About the Company

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 FY2021 (Prov) at Rs.277.76 crore from Rs. 240.79 crore in FY2020 and Rs. 125.45 crore in FY2019. Further, the profitability margins have also improved marked by operating margins and PAT margins of 10.07 percent and 8.42 percent in FY2021 (Prov) as against 7.17 percent and 4.07 percent in FY2020, respectively. The company has unexecuted order book of Rs. 857.45 crore as on March 31, 2021.

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**

The financial risk profile of AIPL is healthy marked by healthy net worth, low gearing and healthy debt protection metrics. The tangible networth increased to Rs.97.18 crore as on 31 March, 2021 (Prov) as against Rs. 73.31 crore as on 31 March, 2020 on account of infusion of capital and accretion to reserves. The networth includes unsecured loan of Rs.4.00 crore as on March 31, 2021 (Prov), treated as quasi equity. The company follows a conservative leverage policy as reflected by its peak gearing of 0.54 times as on March 31, 2020. The total debt of Rs. 26.94 crore as on March 31, 2021 (Prov) includes working capital borrowings of Rs. 19.37 crore, unsecured loans of Rs. 4.57 crore and term loan from bank of Rs. 3.00 crore. Since the company also receives support from trade credit and mobilization advances, its dependence on the banking system for working capital limits is moderate. The gearing is expected to remain low in future due to expectations of healthy net worth. In FY2021 (Prov), net cash accruals increased to Rs.27.14 crore as against Rs.14.12 crore in FY2020. The net cash accruals have increased on account of the increase in net profits. The improving profitability coupled with low gearing levels has resulted in healthy debt protection metrics, with interest coverage ratio (ICR) of 17.17 times and NCA/TD of 1.01 times for FY2021 (Prov). Acuite expects the coverage indicators of AIPL to remain healthy on account of the expansion of profitability margins.

Acuite expects the company to maintain its financial risk profile on account of improving profitability and moderate working capital requirement.

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 four decades.

Rating Sensitivity

- Significant growth in operating performance leading to overall improvement in financial risk profile.
- Stretched working capital cycle and deterioration in liquidity position.

Material Covenants

None

Liquidity Position – Adequate

Liquidity of AIPL is adequate marked by sufficient net cash accruals in the range of Rs.7.20-14.12 crore for the period of FY2017-20 against repayment obligation of around Rs.1.00-2.50 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 171 in FY2021 (Prov). The company maintains unencumbered cash and bank balances of Rs.12.66 crore as on March 31, 2021 (Prov). The current ratio of the company stood at 2.53 times as on March 31, 2021 (Prov). 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 major debt funded capex plans.

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	FY21 (Prov)	FY20 (Actual)
Operating Income	Rs. Cr.	277.76	240.79
PAT	Rs. Cr.	23.40	9.81
PAT Margin	(%)	8.42	4.07
Total Debt/Tangible Net Worth	Times	0.28	0.54
PBDIT/Interest	Times	17.17	4.60

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

Not Applicable

Any other information

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
23-Mar-2020	Overdraft	Long Term	15.00	ACUITE BBB+/Stable (Upgraded)
	Cash Credit	Long Term	5.00	ACUITE BBB+/Stable (Upgraded)
	Cash Credit	Long Term	1.00	ACUITE BBB+/Stable (Upgraded)
	Bank guarantee	Short Term	49.00	ACUITE A2 (Upgraded)
	Bank guarantee	Short Term	30.00	ACUITE A2 (Upgraded)
	Bank guarantee	Short Term	20.00	ACUITE A2 (Upgraded)
19-Aug-2019	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. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A-/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A-/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A-/Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A2+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00 (Reduced from Rs.49.00 Cr.)	ACUITE A2+ (Upgraded)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A2+ (Upgraded)

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