

Press Release

Anish Infracon India Private Limited

February 01, 2023

Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	31.00	ACUITE BBB+ Stable Downgraded	-
Bank Loan Ratings	139.00	-	ACUITE A2 Downgraded
Total Outstanding Quantum (Rs. Cr)	170.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE A-**' (read as **ACUITE A minus**) and short-term rating to '**ACUITE A2**' (read as **ACUITE A two**) from '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.170.00 crore bank facilities of Anish Infracon India Private Limited (AIPL). The outlook is '**Stable**'.

Reason for Rating Downgrade

The rating downgrade is on account of the moderation in operating performance of AIPL, marked by subdued operating income, slower-than-anticipated build up of order pipeline as reflected in the modest orderbook position of Rs.328 Cr (unexecuted order value) as on November, 2022 and moderation in financial risk profile of the company. The operating income of AIPL stood at Rs. 249.33 Cr in FY2022 as against Rs.275.21 Cr in FY2021. In 9MFY2023 the company has booked revenue of Rs. 138.20 Cr and is expected to close the year in the range of Rs.280-300 Cr. The company aims to achieve execution of upto Rs.150-165 Cr by the end of FY23 and is awaiting bid opening of new orders worth Rs.387.98 Cr as on date. Further, the financial risk profile of AIPL moderated slightly in FY2022 marked by increased gearing and abated debt protection metrics. The overall gearing rose to 1.09 times as on March 31, 2022 as against 0.30 times as on March 31, 2021 while the interest coverage ratio stood at 8.03 times for FY22 as against 14.11 times for FY2021, though the debt protection measures continue to remain healthy. Further, it may be noted that the surge in gearing is primarily on account of increase in inter-company borrowings. The adjusted gearing ratio stood at 0.38 times as on March 31, 2022. Going forward, AIPL's ability to scale up its operations on the back improved orderbook position while maintaining its profitability margins and financial risk profile will remain a key rating monitorable.

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

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

Key Rating Drivers

Strengths

> Experienced management and long track record of operations

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 industry. Extensive experience of the promoters has helped the company in establishing and maintaining healthy relations with clients and sanctioning authorities. As on November, 2022 AIPL's unexecuted orderbook value stood at Rs.328 Cr and is awaiting bid opening of new orders worth Rs.387.98 Cr. AIPL has a healthy track record of timely order completion across its various special purpose vehicles (SPVs).

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

> Healthy financial risk profile

The financial risk profile of the Company is healthy marked by healthy net-worth, modest gearing and comfortable debt protection metrics. The tangible net-worth improved to Rs. 112.05 Cr as on March 31, 2022 as against Rs. 90.41 Cr as on March 31, 2021. The improvement is on account of accretion of profits to reserves and issue of equity share capital of Rs.3.00 Cr. The overall gearing stood at 1.09 times as on March 31, 2022 as against 0.30 times as on March 31, 2021. The increase in gearing is due to surge in total debt which stood at Rs. 122.57 Cr as on March 31, 2022 as against Rs.26.94 Cr as on March 31, 2021. As on March 31, 2022, the total debt comprised of Rs. 8.86 Cr of long term borrowing, Rs.8.08 Cr of unsecured loan from promoters and directors and short term debt of Rs. 105.67 Cr. The short term debt includes Rs. 79.56 Cr of inter-corporate borrowing from Karmala Road Project Private Limited (KRPPPL). AIPL along with its joint venture partner GHV (India) Private Limited (GIPL) has undertaken development, maintenance and management of National Highway No. – 561A in the state of Maharashtra to be executed on Design, Build, Operate and Transfer (DBOT), Hybrid Annuity Model basis under KRPPPL. The EPC contract of the project is assigned to AIPL and the debt availed from KRPPPL will be written off over the course of construction period against EPC bills raised. As on December, 2022 the outstanding debt towards KRPPPL stood at ~Rs.33 Cr. The adjusted gearing ratio, excluding the inter-corporate debt from KRPPPL stood at 0.38 times as on March 31, 2022. The TOL to TNW ratio of AIPL stands at 1.86 times as on March 31, 2022 as against 1.16 times as on March 31, 2021. The interest coverage stood at 8.03 times as on March 31, 2022 as against 14.11 times as on March 31, 2021. The DSCR stood at 5.84 times for FY2022 as against 6.52 times for FY2021.

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 Sensitivities

> Significant growth in operating performance leading to overall improvement in financial risk profile.

> Elongation of working capital cycle leading to 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.20-22 crore for the period of FY2020-22 against repayment obligation of around Rs.0.40-1.35 crore over the same period. The Company is expected to generate net cash accruals in the range of Rs.28-32 Cr over the medium term against repayment obligations in the range of Rs.2-5 Cr. AIPL's working capital operations are intensive, as the company is catering to the government entities, marked by gross current asset (GCA) days of 295 in FY2022. The company maintains unencumbered cash and bank balances of Rs.16.82 crore as on March 31, 2022. The current ratio of the company stood at 1.23 times as on March 31, 2022. Acuité 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

Acuité believes AIPL will maintain a 'Stable' outlook in the medium term on account of its experienced management and healthy financial risk. 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 delays in receipt of new orders or deterioration of financial risk profile or stretch in working capital cycle.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	249.33	275.71
PAT	Rs. Cr.	18.64	16.62
PAT Margin	(%)	7.48	6.03
Total Debt/Tangible Net Worth	Times	1.09	0.30
PBDIT/Interest	Times	8.03	14.11

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 Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels

of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Nov 2021	Cash Credit	Long Term	1.00	ACUITE A- Stable (Reaffirmed)
	Secured Overdraft	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	40.00	ACUITE A2+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	24.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
14 Jun 2021	Bank Guarantee	Short Term	25.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Bank Guarantee	Short Term	20.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Bank Guarantee	Short Term	30.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Cash Credit	Long Term	1.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Secured Overdraft	Long Term	15.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Proposed Bank Guarantee	Short Term	24.00	ACUITE A2+ (Upgraded from ACUITE A2)
23 Mar 2020	Bank Guarantee	Short Term	20.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Secured Overdraft	Long Term	15.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee	Short Term	30.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	5.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee	Short Term	49.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	1.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A2 Downgraded
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A2 Downgraded
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2 Downgraded
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A2 Downgraded
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB+ Stable Downgraded
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB+ Stable Downgraded
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB+ Stable Downgraded
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	24.00	ACUITE A2 Downgraded
HDFC Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB+ Stable Downgraded

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Salony Goradia Manager-Rating Operations Tel: 022-49294065 salony.goradia@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, 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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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.