Press Release

P R Agrawal Project Private Limited

October 16, 2020

Rating Assigned

Total Bank Facilities Rated*	Rs. 21.00 Cr.
Long Term Rating	ACUITE A-/Stable (Assigned)
Short Term Rating	ACUITE A2+ (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has assigned the long term rating of **'ACUITE A-' (read as ACUITE A minus)** and the short term rating of **'ACUITE A2+ (read as ACUITE A two plus)** on the Rs.21.00 crore bank facilities of P R Agrawal Project Private Limited. The outlook is **'Stable'**.

PR Agrawal Project Private Limited (PRA) was incorporated in 2019 by Mr. Ramesh Kumar Agarwal. The company is engaged in civil construction work and currently undertakes projects subcontracted by Barbrik Project Limited.

Barbrik Project Limited (BPL) was established as a partnership firm in 1985 and subsequently converted into a private limited company in 2008. The entity has been promoted by the Agarwal family of Chhattisgarh and is engaged in the construction of roads, bridges highways. The company is a registered contractor for Public Works Department (PWD) of Chhattisgarh, Jharkhand, Maharashtra, Madhya Pradesh, Odisha and Bihar along with National Highway Authority of India (NHAI) and State Highway Authority of Jharkhand (SHAJ). The company is also engaged in undertaking logistic service for Central Coalfield Limited, Northern Coalfield Limited and Adani Enterprises Limited. Currently, the company is managed by Mr. Ramesh Kumar Agarwal, Mr. Rajesh Kumar Agarwal, Mr. Dhruv Kumar Agarwal, Mr. Kanhaiya Lal Agarwal, Mr. Ayush Kumar Agarwal and Mr. Sourabh Agarwal.

Analytical Approach:

Acuité has consolidated the financial and business risk profile of Barbrik Project Limited (BPL) and PR Agrawal Project Private Limited (PRA). The group is herein being referred to as Barbrik Group. The same is on account of common management, same line of operations and significant operational and financial linkages. Extent of consolidation: Full

Key Rating Drivers:

Strengths

Experienced management and long track record of operations

The group has a long execution track record of thirty five years in the civil construction business with an established track record of projects related to road, highways and bridges. The promoters of the group Mr. Ramesh Kumar Agarwal, Mr. Rajesh Kumar Agarwal, Mr. Dhruv Kumar Agagrwal, Mr Kanhaiya Lal Agarwal possesses more than three decades of experience in the infrastructure industry. The second-generation promoters Mr. Ayush Kumar Agarwal and Mr. Sourabh Agarwal (son of Mr. Ramesh Kumar Agarwal) have joined the business and also have experience of more than a decade in the infrastructure industry. The group has a long presence in this sector and has established a healthy relationship with customers for more than a decade. The timely execution of the projects has helped the group to improve its market presence in Odisha, Chhattisgarh, Madhya Pradesh, Jharkhand and Maharashtra. Acuité derives comfort from the long experience of the promoters in the civil construction work and healthy order book position.

Healthy scale of operation coupled with improving profit margins

The revenue of the group stood healthy at Rs.526.27 crore in FY2020 (Prov.) as compared to Rs.422.37 crore in the previous year, thereby registering a year on year growth of 24.6 percent. The group has earned Rs.125.00 crore till 31st July 2020 (Provisional). The group has a strong unexecuted order book of Rs.1585.30 crore as on May 2020 imparting revenue visibility over the medium term.
The Barbrik group has consistently reported healthy profitability margins as reflected from operating margins

at 15.88 per cent in FY2020 (Prov.) as compared to 13.30 per cent in the previous year. The improvement is due to their selection of high margin projects apart from the price escalation clause inherent in projects. The net profitability margin of the group also stood healthy at 6.94 per cent in FY2020 (Prov.) as compared to 6.08 per cent in the previous year. Acuité believes the profitability margin of the group will be sustained at healthy levels over the medium term backed by their focus on the bottom line and bid in projects accordingly.

Healthy financial risk profile
The financial risk profile of the group is marked by healthy net worth, low gearing and strong debt protection metrics. The net worth of the group stood healthy at Rs.188.35 crore in FY 2020 (Prov.) as compared to Rs.151.85 crore in FY2019. This improvement in networth is mainly due to the retention of current year profit. The gearing of the group stood low at 0.51 times as on March 31, 2020 (Prov.) when compared to 0.87 times as on March 31, 2019. This improvement in gearing is mainly on account of repayment of long term debt and improvement in networth of the group during the period. Interest coverage ratio (ICR) is strong and stood at 5.93 times in FY2020 (Prov.) as against 6.39 times in FY 2019. The debt service coverage ratio (DSCR) of the group also stood healthy at 1.78 times in FY2020 (Prov.) as compared to 2.17 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.59 times in FY2020 as compared to 0.32 times in the previous year. Going forward, Acuité believes the financial risk profile of the group will remain healthy backed by no major debt-funded capex plan over the medium term and steady net cash accruals.

Weaknesses

Working capital intensive nature of operation
The operations of the group are working capital intensive as marked by high gross current asset (GCA) days of 161 days in FY20 (Prov.) as against 205 days in FY2019. The high GCA days are on account of high other current assets of Rs.110.40 crore in FY2020 (Prov.) majorly includes retention money, earnest money deposit and GST receivables. The inventory days stood comfortable at 35 days in FY20 (Prov.) as compared to 45 days in FY2019. The debtor days have improved to 39 days in FY20 (Prov.) as compared to 76 days in FY2019. Moreover, the working capital limit has been utilized 75 per cent in the last six months ended August, 2020. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Rating Sensitivity

- Scaling up of operations while maintaining their profitability margin
- Timely execution of orders
- Sustenance of existing financial risk profile with healthy capital structure

Material Covenant

None

Liquidity Position: Strong

The group has strong liquidity marked by healthy net cash accruals in FY2020 (Prov.) of Rs.56.55 crore as against Rs.20.72 crore of yearly debt obligations. The cash accruals of the group are estimated to remain in the range of around Rs. 56.85 crore to Rs. 80.34 crore during 2021-23 against Rs.20.72 crore repayment obligations in FY2021, Rs.20.34 crore in FY2022 respectively. The Gross Current Asset (GCA) days stood moderate at 157 days in FY2020 (Prov.). The bank limit is 75 per cent utilised by the group for the last six months ended in August 2020. The current ratio of the group stood at 1.39 times as on March 31, 2020 (Prov.). The liquidity of the group is also supported by the unencumbered cash balance of Rs.2.65 crore in FY2020 (Prov.). Moreover, the group has availed of loan moratorium till the end of August, 2020 for an equipment loan. The availment of the moratorium in equipment loan had eased the liquidity position of the group. However, the group has not applied for COVID emergency credit line. Acuité believes that the liquidity of the group is likely to remain strong over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuité believes the group's outlook will remain stable over the medium term on account of the vast experience of the promoters, long execution track record, healthy order book position and strong financial risk profile. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in the group's revenues or profit margins, or in case of deterioration in the group's financial risk profile and liquidity position or delay in completion of its projects or further deterioration in its working capital cycle.

About the Rated Entity - Key Financials (Consolidated)

	Unit	FY20 (Prov.)	FY19 (Actual)
Operating Income	Rs. Cr.	526.27	422.37
PAT	Rs. Cr.	36.50	25.68
PAT Margin	(%)	6.94	6.08
Total Debt/Tangible Net Worth	Times	0.51	0.87
PBDIT/Interest	Times	5.93	6.39

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	131.41	-
PAT	Rs. Cr.	7.88	-
PAT Margin	(%)	5.99	-
Total Debt/Tangible Net Worth	Times	-	-
PBDIT/Interest	Times	2322.87	-

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
- Consolidation of Companies - https://www.acuite.in/view-rating-criteria-60.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.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. Crore)	Ratings/Outlook
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A-/Stable (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2+ (Assigned)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head– Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

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