

Press Release

Agrawal Global Infratech Private Limited

July 12, 2021

Rating Assigned



Total Bank Facilities Rated*	Rs. 45.00 Cr.
Long Term Rating	ACUITE BBB/Stable (Assigned)
Short Term Rating	ACUITE A3+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.45.00 crore bank facilities of Agrawal Global Infratech Private Limited (AGIPL). The outlook is '**Stable**'.

The rating on AGIPL is driven by the extensive experience of the management in the infrastructure industry and established market position along with strong association with reputed government clients. The rating also reflects the healthy financial risk profile and adequate liquidity position of the company. However, these strengths are partially offset by the working capital intensive nature of operation and moderate scale of operation of the company.

About the company

Established in 2010 as a proprietorship concern and changed its constitution in 2017, Agrawal Global Infratech Private Limited is a Chhattisgarh-based company promoted by Mr. Rakesh Agrawal and Ms. Shalu Agrawal. The company is engaged in construction of roads, highways and bridges. The company is registered 'Class A' contractor mainly catering to the Public Works Department (PWD), National Highway Authority of India (NHAI) and Pradhan Mantri Gram Sadak Yojana (PMGSY).

Analytical Approach:

Acuite has considered the standalone business and financial risk profile of AGIPL while arriving at the rating.

Key Rating Drivers:

Strengths

Experienced management and strong association with reputed clientele

The company has operational track record of more than 10 years in the infrastructure industry and the directors of the company Mr. Rakesh Agarwal and Ms. Shalu Agarwal have more than a decade of experience in similar industry. The company 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 company to improve its market presence in Jharkhand, Chhattisgarh and Maharashtra. Acuite believes that the company will continue to benefit from its promoter's extensive industry experience and established relationship with customers over the medium term. Further, the company mainly caters directly to government entities such as National Highway Authority of India (NHAI), Public Works Department (PWD) and Pradhan Mantri Gram Sadak Yojana (PMGSY) among others which will benefit the company to mitigate the counter party risk.

Healthy profitability margin

The operating profitability margin of the company stood healthy at 16.19 per cent in FY2021 (Prov.) as compared to 24.23 per cent in the previous year. However, this decline in operating profitability margin is on account of increase in the input cost for the new projects started during FY2021. Acuite believes that the profitability margin of the company will sustain at the same level backed by in-built price escalation clause that provides cushion for covering the increased input cost. Further, the contracts of the company with the government authorities are suitably guarded against the fluctuation in the raw material prices owing to the built - up price escalation clause. This helps the company from any large variation in the raw material prices, thus protecting the operating margins to a certain extent going forward.

The net profitability margin of the company also stood healthy at 6.52 per cent in FY2021 (Prov.) as compared

to 6.85 per cent in the previous year. Acuite believes the profitability margin of the company will be sustained at healthy levels over the medium term backed by their focus on the bottomline and bid in projects accordingly.

Healthy financial risk profile

The financial risk profile of the company is marked by moderate net worth, low gearing and strong debt protection metrics. The net worth of the company stood moderate at Rs.33.59 crore in FY 2021 (Prov.) as compared to Rs 26.39 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company stood low at 0.74 times as on March 31, 2021 (Prov.) when compared to 0.55 times as on March 31, 2020. This increase in gearing is mainly on account of increase in short term debt utilization along with increase long term debt during the period. Interest coverage ratio (ICR) is strong and stood 6.60 times in FY2021 (Prov.) as against 5.49 times in FY 2020. The debt service coverage ratio (DSCR) of the company also stood comfortable at 1.95 times in FY2021 (Prov.) as compared to 1.03 times in the previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 0.49 times in FY2021 (Prov.) as compared to 0.62 times in the previous year. Going forward, Acuite believes the financial risk profile of the company will remain healthy on account of steady net cash accruals and no major debt funded capex plan.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operation of the company is marked by high gross current asset (GCA) days of 122 days in FY2021 (Prov.) as compared to 201 days in the previous year. However, this significant improvement in gross current asset (GCA) days is mainly on account of improvement in debtor days during FY2021 (Prov.). The debtor days of the company improved to 42 days in FY2021 (Prov.) as compared to 163 days in the previous year. Further, the debtor days during FY2020 has significantly increased from FY2019 mainly due to receivables during the 31st March 2020, which coincided with the nation-wide lockdown. The inventory holding period of the company stood moderate at 53 days in FY2021 (Prov.) as compared to 02 days in the previous year. However, this increase is on account of increase in work-in-progress inventory during 31st March 2021. Moreover, the working capital limit has been utilized ~95 per cent for the last six months ended May 2021. Acuite believes any further elongation in working capital would be a key rating sensitivity factor.

Moderate scale of operation

The revenue of the company stood moderate at Rs.110.50 crore in FY2021 (Prov.) as compared to Rs.54.99 crore in FY2020. The revenue of the company had significantly declined in FY2020 to Rs. 54.99 crore as compared to Rs.100.56 crore in the previous year, mainly due to lower project execution during the period. However, the company has a strong unexecuted order book of Rs.837.63 crore as on April 2021 imparting revenue visibility over the medium term

Rating Sensitivity

- Scaling up of operations while maintaining their profitability margin
- Timely execution of orders
- Further elongation in working capital management

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by comfortable net cash accruals of Rs12.75 crore as against Rs.4.95 crore long term debt obligations in FY2021 (Prov.). The cash accruals of the company are estimated to remain in the range of around Rs. 18.96 crore to Rs. 28.35 crore during 2022-23 as against Rs. 7.85 crore of long term debt obligations FY2022 and Rs.2.47 crore in FY2023 respectively. The current ratio of the company stood moderate at 1.26 times in FY2021 (Prov.). The working capital intensive nature of the company is marked by high Gross Current Asset (GCA) days of 122 days in FY2021 (Prov.). The bank limit of the group has been ~95 percent utilized during the last six months ended in May 2021. Moreover, the company has neither availed the covid emergency fund nor availed the loan moratorium till August 2020. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuite believes the company's outlook will remain stable over the medium term on account of experience of the promoters, long execution track record, healthy order book position and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company registers significant 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 decline in the company's revenues or profit margins, or in case of deterioration in the company'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 (Standalone)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	110.50	54.99
PAT	Rs. Cr.	7.21	3.77
PAT Margin	(%)	6.52	6.85
Total Debt/Tangible Net Worth	Times	0.74	0.55
PBDIT/Interest	Times	6.60	5.49

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)

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A3+ (Assigned)

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About Acuite Ratings & Research:

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