

## Press Release

Agrawal Global Infratech Private Limited

July 07, 2022



### Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.50	ACUITE BBB+   Stable   Assigned	-
Bank Loan Ratings	24.00	-	ACUITE A2   Assigned
Bank Loan Ratings	39.00	-	ACUITE A2   Upgraded
Bank Loan Ratings	6.00	ACUITE BBB+   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	71.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### 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.45.00 crore bank facilities of Agrawal Global Infratech Private Limited (AGIPL). Acuite has also assigned the long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.26.50 crore bank facilities of Agrawal Global Infratech Private Limited (AGIPL).The outlook is '**Stable**'.

The rating upgrade factors in the overall improvement in business risk profile of the company marked by significant improvement in operating income while maintaining the profitability margin at a healthy level. Besides, the company continues to sustain its healthy financial risk profile and an adequate liquidity position. The revenue of the company has increased to Rs.202.87 crore in FY2022 (Prov.) as compared to Rs.110.56 crore in FY2021. The operating profitability margin has also improved to 18.19 per cent in FY2022 (Prov.) as compared to 17.27 per cent in the previous year. The financial risk profile of the company is marked by modest network, low gearing and strong debt protection metrics in FY2022 (Prov.) over FY2021. The adequate liquidity of the company is marked by comfortable net cash accruals as against long term debt obligations during FY2022.

### 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**

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

## **Key Rating Drivers**

### **Strengths**

#### **Experienced management and long track record of operation-**

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. Acuité 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 the government entity 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 scale of operation coupled with stable profitability margin-**

The revenue of the company stood healthy at Rs.202.87 crore in FY2022 (Prov.) as compared to Rs.110.56 crore in the previous year. This significant increase in revenue of the company is on account of increase in project execution during the period backed by steady order flow from as National Highway Authority of India (NHAI), Public Works Department (PWD). Going forward, Acuité believes that the revenue of the company will improve on account of healthy order book of Rs.820.16 crore as on April 2022 of the company.

The operating profitability margin of the company stood at 18.19 per cent in FY2022 (Prov.) as compared to 17.27 per cent in the previous year. This increase in operating profitability margin is on account of decrease in the certain input cost for the on-going projects during FY2022. Acuité 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. This helps the company from any large variation in the raw material prices, thus protecting the operating margins to a certain extent. The net profitability margin of the company has also improved to 8.20 per cent in FY2022 (Prov.) as compared to 6.26 per cent in the previous year.

#### **Comfortable financial risk profile-**

The financial risk profile of the company is marked by moderate net worth, low gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.49.95 crore in FY 2022 (Prov.) as compared to Rs 33.31 crore in FY2021. This improvement in network is mainly due to the retention of profit during FY2022. The gearing of the company stood at 0.70 times as on March 31, 2022 (Prov.) when compared to 0.76 times as on March 31, 2021. This further improvement in gearing is mainly on account of improvement in network during FY2022 (Prov.). Interest coverage ratio (ICR) is healthy and stood at 5.49 times in FY2022 (Prov.) as against 4.78 times in FY2021. The debt service coverage ratio (DSCR) of the company stood healthy at 2.44 times in FY2022 (Prov.) as compared to 1.80 times in the previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 0.69 times in FY2022 (Prov.) as compared to 0.48 times in the previous year. Going forward, Acuité 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 over the near term.

## Weaknesses

### Competitive and fragmented nature of industry coupled with tender based business

The company is engaged as a civil contractor and the particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the company has to make bid for such tenders on competitive prices; which may affect the profitability of the company. However, this risk is mitigated to an extent as the company is operating in this environment for the last twelve years.

### Working capital management –

The working capital management of the company is marked by moderate gross current asset (GCA) days of 112 days in FY2022 (Prov.) as compared to 116 days in the previous year. The inventory holding period of the company stood moderate at 52 days in FY2022 (Prov.) as compared to 40 days in the previous year. However, this increase in inventory days is on account of increase in work-in progress inventory during 31st March 2022. The debtor days of the company stood comfortable at 23 days in FY2022 (Prov.) as compared to 32 days in the previous year. The GCA days of the company has also emanates from the high other current asset of Rs.22.40 crore in FY2022, which mainly consists of advances to suppliers, statutory deposits, advance tax paid and among others. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

### Rating Sensitivities

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

### Material covenants

None

### Liquidity Position: Adequate

The company has adequate liquidity position marked by healthy net cash accruals of Rs.23.73 crore as against only Rs.5.80 of term debt obligations in FY2022 (Prov.). The cash accruals of the company are estimated to remain in the range of around Rs. 34.59 crore to Rs. 42.63 crore during 2023-24 as against of Rs.10.07 crore long term debt obligations during the period. The current ratio of the company stood comfortable at 1.39 times in FY2022 (Prov.). The Gross Current Asset (GCA) days of the company stood moderate at 112 days in FY2022 (Prov.). The bank limit of the company has been ~93 percent utilized during the last six months ended in May 2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against the long debt repayments over the medium term.

### Outlook- Stable

Acuité 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 healthy 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.

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	202.87	110.56
PAT	Rs. Cr.	16.64	6.92
PAT Margin	(%)	8.20	6.26
Total Debt/Tangible Net Worth	Times	0.70	0.76
PBDIT/Interest	Times	5.49	4.78

### 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Jul 2021	Bank Guarantee	Short Term	9.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2   Assigned
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A2   Assigned
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A2   Upgraded
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2   Upgraded
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A2   Upgraded
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB+   Stable   Upgraded
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB+   Stable   Upgraded
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB+   Stable   Assigned

## Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a></p> <p>Abhishek Dey Senior Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:abhishek.dey@acuite.in">abhishek.dey@acuite.in</a></p>	<p>Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

### 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](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.