



**Press Release**  
**Agrawal Global Infratech Private Limited**  
**July 27, 2023**

**Rating Assigned and Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.00	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	14.00	ACUITE BBB   Stable   Downgraded	-
Bank Loan Ratings	52.50	-	ACUITE A3+   Assigned
Bank Loan Ratings	57.50	-	ACUITE A3+   Downgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	130.00	-	-

**Rating Rationale**

Acuite has **downgraded** its long term rating to '**ACUITE BBB**' (read as **ACUITE t riple B**) from '**ACUITE BBB+**' (read as **ACUITE t riple B plus**) and its short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.71.50 Cr. bank facilities of Agrawal Global Infratech Private Limited (AGIPL). The outlook is '**Stable**'.

Acuite has also **assigned** its long term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) and its short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.58.50 Cr. bank facilities of Agrawal Global Infratech Private Limited (AGIPL). The outlook is '**Stable**'.

**Rationale for rating downgrade**

The rating downgrade is due to the continuous deterioration in the company's profitability during FY2021-23 period reflected by declining operating profit and profit after tax (PAT) margins. The operating profit margin of the company declined to 14.32 percent in FY2023 compared against 15.29 percent in FY2022 and 17.27 percent in FY2021 respectively. Similarly, the PAT margins declined to 5.93 percent in FY2023 compared against 6.11 percent in FY2022 and 6.26 percent in FY2021 respectively. The decline is majorly on account of an increase in input costs over the years. Furthermore, the rating is constraint on account of working capital intensive nature of operations marked by high gross current asset days of 187 days for FY2023 as compared to 131 days for FY2022.

However, the rating factors in the increase in revenue from operations of the company to Rs.259.68 Cr. in FY2023 compared against Rs.176.15 Cr. in FY2022 on account of higher execution of orders and healthy inflow of orders during the period. The company has healthy unexecuted order book position to the tune of Rs.622.38 Cr. as on 31 May, 2023 providing adequate revenue visibility over the medium term. The rating is also supported by the company's well-established operations and experienced management team.

**About the Company**

Agrawal Global Infratech Private Limited, a Chhattisgarh-based company, was established in

2010 as a proprietorship concern and underwent a constitution change in 2017. The company, promoted by Mr. Rakesh Agrawal and Ms. Shalu Agrawal, involved in the construction of

roads, highways, and bridges. It operates as a registered 'Class A' contractor primarily serving 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**

- **Steady business operations supported by established operations and experienced management**

The company has an operational track record of over a decade in the infrastructure industry, with its directors, Mr. Rakesh Agrawal and Ms. Shalu Agrawal, having extensive experience in the similar field. Over the years, the company has built strong relationships with customers and expanded its market presence in Jharkhand, Chhattisgarh, and Maharashtra through timely project execution. The company primarily serves government entities such as National Highway Authority of India (NHAI), Public Works Department (PWD) and Pradhan Mantri Gram Sadak Yojana (PMGSY), minimizing counterparty risk.

During FY2023, the company's recorded a healthy revenue growth to Rs. 259.68 Cr. compared to Rs.176.15 Cr. in FY2022. This growth was driven by a substantial increase in project execution supported by a steady order flow from NHAI and PWD. Furthermore, the company has an unexecuted healthy order book position to the tune of about Rs.622.38 crores as on 31st May, 2023 providing adequate revenue visibility over the medium term.

Acuité expects the business operations of the company will likely to continue benefiting from its promoters' industry experience and established customer relationships in the medium term.

- **Healthy financial risk profile**

The financial risk profile of the company remains healthy marked by improving net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.64.58 Cr as on March 31, 2023 as compared to Rs.44.07 Cr. as on March 31, 2022. This improvement in net worth is mainly due to the retention of current year profits in reserves. Acuité has also considered unsecured loan of Rs.5.11 Cr. from the promoters as on March 31, 2023 as quasi equity, as the same amount is subordinated with bank debt. Furthermore, the gearing of the company stood low at 0.88 times as on March 31, 2023. The debt protection matrices of the company remain comfortable marked by Interest coverage ratio (ICR) of 4.17 times and debt service coverage ratio (DSCR) of 1.71 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.42 times in FY2023.

Going forward, Acuité believes the financial risk profile of the company will remain comfortable on account of steady net cash accruals owing to stable profitability margins with no major debt funded capex plan over the near term.

#### **Weaknesses**

- **Continuous deterioration in profitability margins**

The profitability margins of the company have witnessed continuous deterioration in last three years during FY2021-23 period. The operating profit margin of the company declined to 14.32 percent in FY2023 compared against 15.29 percent in FY2022 and 17.27 percent in FY2021 respectively. Similarly, the PAT margins declined to 5.93 percent in FY2023 compared against 6.11 percent in FY2022 and 6.26 percent in FY2021 respectively. However, on absolute levels, the company reported PAT of Rs.15.40 Cr. in FY2023 compared against Rs.10.76 Cr. in FY2022.

Acuité believes that the company's ability to improve the profitability margins going ahead will remain a key monitorable.

- **Working capital intensive nature of operation**

The operation of the company is working capital intensive marked by high gross current asset days of 187 days for FY2023 as compared to 131 days for FY2022. The high GCA days are mainly on account of high inventory days. The inventory days of the company stood at 100 days in FY2023 as compared to 58 days in FY2022. Further, the GCA days of the company has also emanates from the high other current asset of Rs.37.18 Cr. in FY2023, which mainly consists of other receivables and recoveries, other deposits and material on loan. However, the debtor days of the company stood at 41 days for FY2023 as against 26 days for FY2022.

Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

- **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 more than a decade.

### **Rating Sensitivities**

- Improvement in profitability margins
- Timely execution of orders
- Any further elongation in working capital cycle

### **Material covenants**

None

### **Liquidity Position Adequate**

The company has adequate liquidity marked by adequate net cash accruals of Rs.23.86 Cr. as on March 31, 2023 as against Rs.10.08 Cr. long term debt obligations over the same period. The current ratio of the company stood comfortable at 1.48 times in FY2023. The cash and bank balance stood at Rs. 6.08 Cr for FY 2023. However, the bank limit of the company has been ~81.02 percent utilized during the last three months ended in May 2023. Further, the working capital intensive marked by high gross current asset days of 187 days for FY2023 as compared to 131 days for FY2022. Acuité 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**

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.

## Other Factors affecting Rating

Not Applicable

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	259.68	176.15
PAT	Rs. Cr.	15.40	10.76
PAT Margin	(%)	5.93	6.11
Total Debt/Tangible Net Worth	Times	0.88	0.79
PBDIT/Interest	Times	4.17	4.23

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

Not Applicable

### Any other information

Not Applicable

### 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Jul 2022	Bank Guarantee	Short Term	25.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	5.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Bank Guarantee	Short Term	10.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	9.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Bank Guarantee	Short Term	5.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	1.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Stable)
	Cash Credit	Long Term	2.50	ACUITE BBB+   Stable (Assigned)
	Bank Guarantee	Short Term	14.00	ACUITE A2 (Assigned)
12 Jul 2021	Cash Credit	Long Term	5.00	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	9.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A3+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	27.50	ACUITE A3+   Downgraded
Central Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A3+   Downgraded
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A3+   Downgraded
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3+   Downgraded
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A3+   Assigned
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	27.00	ACUITE A3+   Assigned
Central Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A3+   Assigned
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE A3+   Assigned
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB   Stable   Downgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BBB   Stable   Downgraded
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE BBB   Stable   Downgraded
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE BBB   Stable   Downgraded
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB   Stable   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BBB   Stable   Assigned

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:dipti.choudhary@acuite.in">dipti.choudhary@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

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