



Press Release
Annai Infra Developers Limited
December 06, 2024
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	44.50	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	153.50	-	ACUITE A3 Reaffirmed
Bank Loan Ratings	102.00	-	Not Applicable Withdrawn
Total Outstanding Quantum (Rs. Cr)	198.00	-	-
Total Withdrawn Quantum (Rs. Cr)	102.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and short term rating of 'ACUITE A3' (read as ACUITE A three) on the Rs.198.00 Cr. bank facilities of Annai Infra Developers Limited (AIDL). The outlook is 'Stable'.

Further, Acuite has withdrawn the short-term rating of the Rs.102.00 Cr. proposed Facilities of Annai Infra Developers Limited (AIDL). The same is withdrawn without assigning any rating as it is proposed facilities. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company.

Rationale for reaffirmation:

The rating reaffirmation continues to be supported by a healthy financial risk profile, adequate liquidity, and healthy EBITDA margins in FY2024. The operating margins remained in the range of 14.52-15.58 percent for the last two years ended FY2024. The financial risk profile of AIDL continues to be healthy with healthy debt protection metrics and minimal gearing. The overall gearing of the company stood at 0.20 times as on March 31, 2024, as against 0.32 times as on March 31, 2023. The company's revenue stood at Rs. 620.21 Cr. in FY2024 as against Rs. 781.15 Cr. in FY2023. The rating continues to derive strength from the extensive experience of the promoters and a moderate order book position, which stood at Rs. 1176.20 Cr. as on October 2024.

The rating is constrained by working capital-intensive operations, exposure to execution-related risks, the tender-driven nature of the business, high geographic and segment concentration risks, and GST disputes.

About the Company

Annai Infra Developers Limited (AIDL) was incorporated in 2008 and is located in Erode, Tamil Nadu. AIDL is promoted by Mr. Subramaniam Ashok Kumar and his wife, Mrs. Duraisamy Kalaiselvi, having experience of more than 15 years and 10 years, respectively, in the construction and infrastructure development sector. AIDL is primarily engaged in engineering, procurement, and construction (EPC) activities of water management and irrigation projects, such as the building of dams, laying of pipelines, integrated stormwater drains, wastewater treatment plants, developing drainage systems, lift irrigation, drip irrigation, reservoirs, canals, and installation of irrigation pipelines, among others. It is registered as a Class-1 civil contractor in the states of Tamil Nadu. The

client base includes primarily government entities, viz. the Public Works Department (PWD) of Tamil Nadu, Kerala. The company has ventured into a new segment, i.e., solar projects, to grab the demand and to substitute irrigation and water supply contracts.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of AIDL to arrive at the rating

Key Rating Drivers

Strengths

- **Established track record, experienced management**

Mr. Subramaniam Ashok Kumar and his wife, Mrs. Duraisamy Kalaiselvi, are the directors of the company and are actively involved in the day-to-day operations. All the directors are having an experience of nearly two decades in the civil construction industry. With the promoter's extensive industry experience, supported by experienced management and timely execution of projects, the company helped to establish a longstanding relationship with various government bodies in Tamil Nadu and Kerala, as well as other corporate clients. Acuité believes that the promoter's established presence in the industry and strong counterparties, technical prowess, and funded projects will support AIDL's business profile over the medium term.

- **Moderate order book position and healthy EBTIDA margins:**

The company having an unexecuted order book position of Rs. 1176.20 Cr. as on October 31, 2024. The company is planning to execute the outstanding orders in the next 15-17 months of time. The outstanding order book is 1.9 times of the FY2024 revenue. However, of the total outstanding orderbook, ~34% of the orderbook pertains to orders that the company has received in FY2025 (till Oct 2024), 30% pertains to orders received in FY2024, and ~26% of the unexecuted orderbook pertains to orders received in FY2021. The orders received in FY2019 and FY2020 on an aggregate basis pertain to 9.24 percent. The orders received in FY2019 and FY2020 on an aggregate basis are completed to an extent of 85-90 percent. The company ventured into a new segment of contracts, i.e., solar power, to grab the demand and opportunities. The company has recently received solar project contracts in October 2024, which amounts to Rs. 225.80 Cr. with 45 MW capacity. These solar projects are expected to be completed in one year's time. It is expected that orders from the solar segment will be boosted in the near future on account of demand. The operating margins ranged between 14.52-15.58 percent for the last two years ended FY2024. The company has recorded a growth in revenues of (20.60) percent in FY2024 as compared to the previous year, which stood at Rs. 620.21 Cr. in FY2024 as compared to Rs. 781.15 Cr. in FY2023. The deterioration in the revenues is on account of fewer tenders from the Tamil Nadu government, majorly for the irrigation and water supply segment, and delayed payments. However, Acuité believes that AIDL's business risk profile to remain stable on account of new orders in solar segment and ability of company to win new orders.

- **Healthy financial risk profile**

The financial risk profile of the company is healthy with a healthy capital structure and debt protection metrics. The net worth of the company stood healthy at Rs. 438.83 Cr. and Rs. 383.93 Cr. as on March 31, 2024, and 2023, respectively. The improvement in the net worth is due to the accretion of reserves. The gearing of the company is minimal, which stood at 0.20 times as on March 31, 2024, against 0.32 times as on March 31, 2023. Debt protection metrics—interest coverage ratio and debt service coverage ratio—stood at 5.90 times and 2.65 times as on March 31, 2024, respectively, as against 9.39 times and 4.97 times as on March 31, 2023, respectively. Deterioration in debt protection metrics is on account of higher interest costs and repayment obligations; nevertheless, the ratios are healthy. TOL/TNW stood at 0.42 times and 0.84 times as on March 31, 2024 and 2023, respectively. The debt to EBITDA of the company stood at 0.90 times as on March 31, 2024, as against 0.96 times as on March 31, 2023. Acuite believes that the financial risk profile of the company will remain healthy over the medium term.

Weaknesses

- **Working capital intensive operations**

AIDL's working capital cycle is working capital intensive, as reflected by its high GCA days at 260 days in FY2024 as against 245 days in FY2023. The GCA days are driven by inventory days and other current assets (OCA), which pertain to retention money. Inventory days stood at 101 days in FY2024 as against 115 days in FY2023. The debtor's day stood at 49 days in FY2024 as against 24 days in FY2023. The increase in debtor days is on account of delayed payments from Tamil Nadu government departments. Subsequently, the payable period stood at 42 days in FY2024 as against 83 days in FY2023, respectively. Further, the fund-based bank limits utilization of AIDL to 60 percent for fund-based and 64 percent for non-fund-based, respectively, for the past seven months ended October, 2024.

- **Exposure to execution-related risks, tender-driven nature of the business, high geographic and segment concentration risks**

With 75-80 percent of the order book in nascent stages of execution, the company remains exposed to project execution risks. Any delay in project execution could adversely affect the company's revenues and profitability. AIDL remains exposed to geographical concentration risks as the orders are largely confined to Tamil Nadu, which accounts for 95 percent of the unexecuted order book. Further, the segmental concentration of the order book is high, with the water supply infrastructure works contributing over 95 percent of the unexecuted order book, respectively. ADIL is into irrigation projects, wherein the sector is marked by the presence of several mid- to large-sized players. The risk becomes more pronounced as tendering is based on a minimum amount of bidding on contracts and susceptibility to inherent cyclicalities in the infrastructure segment; further, it's dependent on state government's thrust on irrigation and other infrastructure works. Acuité believes that the above-stated risks are mitigated to an extent as management is operating in this segment for nearly two decades.

- **GST dispute**

AIDL was alleged in involvement in a goods and services tax (GST) dispute in October 2019, for the wrongful availment of an input tax credit (ITC) during financial years 2018-19 & 2019-20. The management has clarified that the company was made liable on account of the subcontractors failure to pay the GST portion, which ADIL had claimed as ITC. According to the management, the ITC claimed by ADIL was in turn passed on to various principal contractors and was not used by the company. After the issue of GST circular dated 06.07.2022, the management expects ADIL to be penalized maximum upto Rs.45000 under Section 122 and 125 of the Act. However, the matter as on date is still sub-judice.

Rating Sensitivities

- Timely execution of its order book leading to substantial improvement in scale of operations while maintaining profitability margins over the medium term.
- Any deterioration in working capital cycle and liquidity profile of the company

Liquidity Position: Adequate

The company has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs. 60.12 Cr. in FY2024 as against the repayment of Rs. 12.24 Cr. for the same period and are expected to generate cash accruals in the range of Rs. 49-54 Cr. against CPLTD of Rs. 12.11-12.55 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 4.84 Cr. as on March 31, 2024. The current ratio of the company stood at 4.60 times as on March 31, 2024. Further, the average bank limit utilization for the fund-based limits stood at 60 percent, and for non-fund-based limits, fund based stood at 64 percent for the last seven months ending in October 2024. Acuité believes that AIDL's liquidity will remain sufficient over the medium term, backed by repayment of its debt obligations and improving accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	620.21	781.15
PAT	Rs. Cr.	55.34	79.99
PAT Margin	(%)	8.92	10.24
Total Debt/Tangible Net Worth	Times	0.20	0.32
PBDIT/Interest	Times	5.90	9.39

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. 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Oct 2023	Letter of Credit	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	52.87	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	35.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	34.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	8.64	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	60.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	39.36	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	4.63	ACUITE BBB- Stable (Reaffirmed)
28 Oct 2022	Bills Discounting	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	49.48	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	35.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	12.82	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	25.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	45.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A3 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	33.20	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	4.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	49.48	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Assigned)
	Bills Discounting	Short Term	5.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	25.00	ACUITE A3 (Assigned)

06 Aug 2021	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A3 (Assigned)	
	Bank Guarantee (BLR)	Short Term	12.82	ACUITE A3 (Assigned)	
	Bank Guarantee (BLR)	Short Term	17.70	ACUITE A3 (Assigned)	
	Bank Guarantee (BLR)	Short Term	35.00	ACUITE A3 (Assigned)	
	Bank Guarantee (BLR)	Short Term	45.00	ACUITE A3 (Assigned)	
	Secured Overdraft	Long Term	5.88	ACUITE BBB-	Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	9.62	ACUITE BBB-	Stable (Assigned)
	Cash Credit	Long Term	4.50	ACUITE BBB-	Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB-	Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB-	Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB-	Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB-	Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Kotak Mahindra Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.50	Simple	ACUITE A3 Reaffirmed
Dhanlaxmi Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	38.00	Simple	ACUITE A3 Reaffirmed
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A3 Reaffirmed
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	35.00	Simple	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB- Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.50	Simple	ACUITE BBB- Stable Reaffirmed
Dhanlaxmi Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A3 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	102.00	Simple	Not Applicable Withdrawn

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