

ABCI Infrastructures Pvt Ltd

Brickwork Ratings reaffirms rating and revises the outlook to Positive for the Bank Loan Facilities aggregating ₹ 550 Crores of ABCI Infrastructures Pvt Ltd

Particulars

Facility**	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (Jan 2019)	Present
Fund Based	68.50	68.50	Long Term	BWR A- Outlook: Stable	BWR A- Outlook: Positive <i>Reaffirmation with Change in Outlook</i>
Non-Fund Based	450.00	481.50	Short Term	BWR A2+	BWR A2+ <i>Reaffirmation</i>
Total	518.50	550.00	INR Five Hundred and Fifty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

** Details of bank facilities are provided in Annexure-I

Rating Action / Outlook

Brickwork Ratings (BWR) has reaffirmed the ratings of BWR A-/A2+ while changing the outlook to Positive for the bank loan facilities of ABCI Infrastructures Pvt Ltd (ABCI or the company).

The reaffirmation factors in the experience of promoters and established track record of the company in execution of infrastructure projects, primarily railway tunnels and steel bridges, in the difficult and high terrain regions of North-Eastern India; healthy revenue visibility backed by a strong order book position; consistent growth in the company's financial performance, marked by a significant improvement in profitability indicators; comfortable capital structure and strong debt protection indicators, with the generation of adequate cash accruals to meet debt obligations.

The rating, however, continues to remain constrained on account of geographical concentration in the order book and volatility in the revenue stream on account of tender-based operations.

The outlook has been made Positive as the company's performance for FY20 is expected to report a considerable improvement. Furthermore, the company's operations were not impacted during the lockdown period and accordingly, the company is likely to report consistent growth in its financials, as indicated from the orders proposed to be executed during the current year which is why the outlook has been revised.

Key Rating Drivers

Credit Strengths:

Experienced Promoters and Company's Demonstrated Track Record: The company is owned and managed by Kolkata-based Baid family, involved in the business for more than three decades. Furthermore, the company has been operational since 1993 and has an established track record in executing projects involving roads, railway tunnels and bridges in the difficult regions of North Eastern India. With the technical expertise gained over the years, the company has been able to establish itself as the preferred player in the region and maintain healthy relations with various government departments, as well as suppliers, which has helped the company in continuously growing its business.

Healthy Revenue Visibility: ABCI had an unexecuted order book position amounting to Rs. 4553.46 Crs as on 31 May 2020, nearly 5x the revenue the company achieved in FY20, providing healthy visibility over the medium term. Additionally, the order book has a healthy mix of projects involving roads, border roads, tunnels and bridges. The company has also received fresh orders amounting to Rs. 472 Crs during Q1 FY21. While fresh tenders have been postponed due to the current Covid situation, the company is expected to report steady revenue and profitability, supported by its adequate order book position.

Improved Financial Performance: ABCI has reported consistent growth in its financial performance over the past two years. The company's revenue increased by 39% in FY19 to Rs. 656.55 Crs from Rs. 471.59 Crs in FY18. Furthermore, with the company's deliberate move to bid for high-margin projects, its profitability indicators have also shown substantial growth. The company's operating profit margin increased from 15.65% in FY18 to 18.67% in FY19, and the net profit margin increased from 3.21% in FY18 to 6.25% in FY19. Furthermore, as per the provisional financials for FY20, the company's operating income further increased by 40% to Rs. 917.62 Crs with an EBITDA margin of ~ 23% and net margin of 9.26%.

Comfortable Capital Structure: The company's Tangible Network (TNW) has been consistently increasing YoY on account of the retention of profits. The company's TNW increased from Rs. 128.51 Crs as on 31 March 2018 to Rs. 171.54 Crs as on 31 March 2019. Additionally, related parties infused unsecured loans of Rs. 22.30 Crs as on 31 March 2019 in the company. Considering 50% of these unsecured loans as part of the equity, the TNW increased to Rs. 182.69 Crs as on 31 March 2019. With the increase in the company's network, the overall gearing of the company has been constantly declining. The gearing reduced from 1.18x as on 31 March 2018 to 0.92x as on 31 March 2019. The adjusted gearing (adjusting for unsecured loans), was even lower at 0.81x as on 31 March 2019. Furthermore, with the increased profitability in FY20, the company's network was expected to be around Rs. 250 Crs with a gearing of 0.70x as on 31 March 2020.

Strong Debt Protection Indicators: The company has long-term borrowings in the form of vehicle and equipment loans amounting to Rs. 82.07 Crs (including CPLTD of Rs. 43.23 Crs) and remaining in the form of working capital limits. ABCI reported an Interest Coverage ratio (ISCR) of 4.60x as on 31 March 2019, increased from 3.06x as on 31 March 2018. The ISCR has remained above three times



over the last three years and is likely to continue at the same level. In comparison with a CPLTD of ~ Rs. 40 Crs, the company's cash accruals have remained at ~ Rs. 80 Crs, indicating the availability of sufficient funds to ensure timely debt servicing.

Credit Risks:

Inherent Risks Associated with the Business: ABCI primarily operates in the North Eastern regions of India and accordingly, its order book remains geographically concentrated. Although the company has expanded its operations to other regions such as Bihar, Jharkhand, Rajasthan and Uttarakhand, yet the majority of its orders are from North East India. However, as operating in these difficult regions requires high technical expertise, there are high entry barriers and thus, limited competition. Accordingly, the company benefits in terms of healthy profitability. As the company deals with various central government departments, the receivables usually remain high primarily on account of retention money. Thus, the said amount is blocked for the specified duration and is not available to meet the immediate liquidity requirements of the company.

Analytical Approach and Applicable Rating Criteria

BWR has assessed the company on a standalone basis. Audited financial statements until FY19, provisional financial indicators for FY20 and projections for FY21 have been considered while arriving at the rating.

The methodology applied by BWR is highlighted and mentioned at the end.

Rating Sensitivities

Positive: The achievement of financial projections for FY21 with the timely realisation of receivables and consistent addition of orders may result in a rating upgrade.

Negative: A substantial deterioration in the financial performance for FY21 resulting in a weak profitability and liquidity position shall be considered negative for the rating.

Liquidity Position: Adequate

ABCI reported a balance of Rs. 10.73 Crs in its current accounts as on 30 June 2020 in addition to fixed deposits of ~ Rs. 62 Crs. The company's annual cash accruals have remained in the range of Rs. 80-100 Crs as against its CPLTD of Rs. 40 Crs, providing sufficient comfort in terms of the availability of funds for debt servicing. Additionally, the company has sanctioned working capital limits of Rs. 68.50 Crs with limited utilisation, providing sufficient liquidity backup.

Company Profile

ABCI Infrastructures Pvt Ltd (ABCI) was incorporated in 1993 and is an EPC contractor specialising in the fields of roads, bridges, tunnels and buildings, and border fencing. The company has expertise in executing these projects in hilly and high terrain regions and accordingly, the majority of its order book comes from the North Eastern region, followed by Uttarakhand, J&K and West Bengal-Sikkim Border. However, ABCI also has projects in Rajasthan, Bihar and West Bengal. The company had an unexecuted order book position of Rs. 4553.46 Crs as on 31 May 2020, which is ~ 5x the company's revenue in FY20.

Key Financial Indicators

Particulars	Units	FY18 (A)	FY19 (A)
Revenue from Operations	Rs. Crs	471.59	656.55
EBITDA	Rs. Crs	73.80	122.57
PAT	Rs. Crs	15.13	41.02
Tangible Net Worth Analyzed	Rs. Crs	128.51	182.69
Total Borrowings Analyzed	Rs. Crs	151.87	147.44
Total Debt/TNW Analyzed	Times	1.18	0.81

Note: All financials have been reclassified as per BWR standards. Networth, Borrowings and Debt/TNW have been calculated after taking 50% of the unsecured loans from related as part of equity.

On a provisional basis, ABCI has reported an operating income of Rs. 917.62 Crs for FY20 with an EBITDA and PAT of Rs. 210.95 Crs and Rs. 84.97 Crs, respectively.

Non-cooperation With Previous Rating Agency If Any: NA

Rating history for the past three years (including withdrawn and suspended)

Facility	Current Rating (2020)			Rating History		
	Tenure	Amount (₹ Crs)	Rating	2019	2018	2017
Fund Based						
Cash Credit	Long Term	68.50	BWR A-/Positive	BWR A-/Stable	Not Reviewed	BWR A-/Stable
Non-Fund Based						
BG	Short Term	414.00	BWR A2+	BWR A2+	Not Reviewed	BWR A2+
Proposed		67.50				
Total		550.00	INR Five Hundred and Fifty Crores Only			

Complexity Levels Of The Instruments

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference To Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)

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ABCI Infrastructures Pvt Ltd

Annexure I - Details of Bank Facilities Rated

Bank wise Details - Rs. Crs			
Name of Bank	BG	CC	Total
Federal Bank	110.00	20.00	130.00
ICICI Bank	45.00	3.50	48.50
IDBI Bank	50.00	15.00	65.00
SBI	88.00	10.00	98.00
PNB	45.00	5.00	50.00
HDFC Bank	31.00	4.00	35.00
Yes Bank	25.00	1.00	26.00
IndusInd Bank	20.00	10.00	30.00
Proposed	-	-	67.50
Total	414.00	68.50	550.00

For print and digital media

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