



RATING RATIONALE

16 Jan 2020

AGI Infra Ltd

Brickwork Ratings reaffirms bank loan rating for the Bank Loan Facilities of Rs.115.70 crs of AGI Infra Ltd

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous# (17 Dec 2018)	Present
Fund Based	80.58	111.70	Long Term	BWR BBB (Stable)	BWR BBB (Stable) (Reaffirmed)
Non Fund Based	4.00	4.00			
Total#	84.58	115.70	INR One Hundred Fifteen crores and Seventy Lakhs Only		

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

** Details of Bank facilities is provided in Annexure-I

#Rating not Reviewed advisory issued on 18 Dec 2019 for the Previous Rating

RATING ACTION / OUTLOOK

Reaffirmation in the rating of AGI Infra Ltd (AGI or “the Company”) factors in the improvement in operating profit margins and launch of new projects amidst deterioration in cash conversion cycle (CCC) and general slowdown in real estate market. Operating profit and net profit margins improved from 20.79% and 9.56% respectively in FY18 to 29.56% and 11.51% respectively in FY19. CCC of the company has deteriorated from 439 days in FY18 to 1448 days in FY19 mainly on account of inventory holdings that have increased from 463 days in FY18 to 1455 days in FY19.

Outlook: Stable

BWR believes the **AGI Infra Ltd.’s** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term.

KEY RATING DRIVERS

Credit Strengths

- (1) Experienced Promoters: Promoters of the company have long years of experience in this line of business and the company has established its brand name in Jalandhar city, after having successfully delivered many residential and commercial projects.



- (2) Successful track record and launch of new projects: The company has successfully delivered many residential and commercial projects and has launched Jalandhar Heights -II (Extension) during current FY20 and is expected to complete the same by Dec 2021.

Credit Concerns:

- (1) Slowdown in the Real Estate market: Overall real estate market has been adversely affected leading to large inventory holdings of completed and unsold units. The company is also likely to face stiff competition from other various established regional players.
- (2) Other inherent risks associated with Real Estate projects- Real estate is highly regulated and completion of the project depends upon a number of internal and external factors amongst which the most common are cost and time overruns and customer defaults, as the project is majorly dependent on customer advances for its project funding.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology on a standalone basis as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

The Rating is sensitive to the cash flows of the company. More than 14.38% shortfall in cash inflows or more than 16.80% increase in cash outflows during FY20 and more than 5.28% shortfall in cash inflows during FY21 and more than 5.57% increase in cash outflows during FY21 would lead to adverse cash flows in the company and attract adverse rating action. Cash inflows projected for FY20 and FY21 are Rs.137.69 crs and Rs.163.01 crs respectively. Cash outflows projected for FY20 and FY21 are Rs.117.89 crs and Rs.154.41 crs respectively. Any further deterioration in gearing and cash conversion cycle owing to rise in inventories may also adversely affect the rating.

The Rating would be upgraded in case of improvement in cash inflows vs cash outflows (cash inflow/cash outflow > 1), gearing and cash conversion cycle from the levels in FY19.

LIQUIDITY POSITION : Adequate

The Company has projected cash inflow to cash outflow ratio of 1.17x for FY20 and 1.06x for FY21. Hence the company is expected to achieve Cash Surplus of Rs. 19.80 cr as projected for FY20. With cash outflows expected to remain firm and bulk of the term loan repayment lined up in FY20, FY21, FY22 and FY23, any shortfall in revenues from sale of units would be detrimental to the overall liquidity in the company and is likely to jeopardise term loan repayments.

COMPANY PROFILE

AGI Infra Ltd., established on 27th May 2005 with its current registered office at Jalandhar Heights, 66 ft. Road, Vill. Pholriwal, Near Urban Estate, Phase II, Jalandhar, is engaged in the development of residential and commercial real estate projects in Jalandhar, Punjab. Sukhdev Singh, Salwinderjit Kaur,



Balwinder Singh, Atul Mehta and Anuj Rai Bansal are the directors in the company. Currently, AGI Infra Ltd is handling a total 7 different residential and commercial projects namely Jalandhar Heights - 2 (Ph-II and Ph-III), AGI Palace, AGI Sky Garden, AGI Pride, Urbana and AGI Smart Homes. All the projects are registered under RERA.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2018	2019
Operating Revenue	₹ Cr	121.90	80.62
EBITDA	₹ Cr	25.34	23.83
PAT	₹ Cr	11.65	9.28
Tangible Net worth (Analysed)	₹ Cr	48.64	55.54
Total Debt/Tangible Net worth	Times	1.88	2.05
Current Ratio	Times	2.07	1.61

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NIL

RATING HISTORY (Including withdrawn and suspended)

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Cr)	Rating	18 Dec 2019	17 Dec 2018	31 Oct 2017
1.	Fund Based	Long Term	111.70	BWR BBB (Stable)	Rating not Reviewed Advisory	BWR BBB (Stable)	BWR BBB (Stable)
2.	Non Fund Based		4.00				N.A
3	Non Fund Based	Short Term	NIL	N.A	N.A	Rating Withdrawn	BWR A3+
	Total		115.70	INR One Hundred Fifteen crores and Seventy Lakhs Only			

ANNEXURE I

AGI Infra Ltd

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term {(₹ Cr)}	Total (₹ Cr)
1		TL-1	5.99	NIL	5.99
2		TL-2	30.00	NIL	30.00

3	Punjab National Bank, GT Road, Jalandhar	TL-3	15.00	NIL	15.00
4		ILG	4.00	NIL	4.00
5	State Bank of India, SME Branch, Civil Lines, Jalandhar	TL-1	10.71	NIL	10.71
6		TL-2	25.00	NIL	25.00
7	Capital Small Finance Bank, Jalandhar	TL	25.00	NIL	25.00
TOTAL			115.70	NIL	115.70

Total Rupees One Hundred Fifteen crores and Seventy Lakhs 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](#)
- [Short Term Debt](#)
- [Infrastructure Sector](#)

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DISCLAIMER

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