



Rating Rationale

AGI Infra Limited

17 Dec 2018

Brickwork Ratings reaffirms the long term rating for the bank loan facilities aggregating Rs. 84.58 Crores and withdraws the short term rating of AGI Infra Limited ('AGI Infra' or 'the Company').

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating ¹	
	Previous	Present		Previous	Present
Fund Based Term Loan	101.68	80.58	Long Term	BWR BBB (Pronounced as BWR Triple B) (Outlook Stable)	BWR BBB (Pronounced as BWR Triple B) (Outlook Stable) (Reaffirmation)
Non Fund Based ILG Limit**	-	4.00	Long Term	-	BWR BBB (Pronounced as BWR Triple B) (Outlook Stable)
Non Fund Based ILG Limit**	4.00	-	Short Term	BWR A3+ (Pronounced as BWR A Three Plus)	Rating Withdrawn
Total	105.68	Rs 84.58 Crores (INR Eighty Four Crores and Fifty Eight Lakhs Only)			

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

**The lender advised to assign the long term rating for the said ILG limit as it is long-term in nature.

Long Term Rating reaffirms at BWR BBB (Outlook: Stable) and withdraws the Short Term Rating of BWR A3+.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company's audited financial results upto FY18, projected financials upto FY20, publicly available information and clarifications provided by the Company.



The rating, inter-alia, factors in the established track record of promoters in the real estate sector, owned land parcels at various strategic locations in Jalandhar city, healthy cash flow visibility considering launching of its two new projects viz. AGI Pride and Urbana coupled with expected cash inflows from its sold units and satisfactory feedback from its lenders. The rating is, however, constrained by the project execution risks as its project is still at implementation stage and overall slowdown in the real estate sector along with intense competition from other players in Jalandhar city. BWR also takes note of the increasing debt levels of the Company with significant schedule of debt repayment for the next two financial years.

Liquidity position of the Company: As per the information submitted by the management, the Company sold area worth Rs. 208 Crs, out of which it has collected customer advances of around Rs. 66 Crs. Hence ability of the Company to sustain its sales momentum and receive sales collections as the project progress would help to ease its liquidity position and reduce its funding risk.

Key Rating Drivers

Credit Strengths

Experienced promoters with established track record: The Company benefits from the long term experience of the promoters in this sector. The Company has already established its brand name in Jalandhar, Punjab. It has successfully delivered three residential and one commercial project as on date.

Land Bank Details: The Company owns (fully-paid) land bank at various strategic locations in and around Jalandhar city.

Healthy cash flow visibility: The Company has developed around four projects (three residential and one commercial) as on date. It has a finished inventory (un-sold) in these projects, having market value of around Rs. 71 Crs which can be monetized as and when required to meet its short-term liquidity requirements. It also expects sales collections of around Rs. 140 Crs from its sold-units.

New projects in the current year: The Company started with two new projects; namely AGI Pride (commercial) and Urbana (residential plots) which are debt-free and expected to launch during post-March 2019. Both projects expected to generate sales of around Rs. 115 Crs against the total cost of Rs. 80 Crs. The said projects will be delivered within one year from launching i.e. FY20.

Receipt of approvals and clearances for the projects: The Company is, at present, constructing five projects, which are RERA compliant. As confirmed by the management, all requisite approvals for construction of the said projects are also in place.

Credit Weaknesses

Increasing debt levels of the Company: The total debt levels of the Company has increased from Rs. 53.85 Crs to Rs. 91.68 Crs, thereby increasing gearing ratio to 1.88x during FY18. Further,



the Company has significant scheduled debt repayment during FY19 and FY20, which, coupled with increasing term loans, may put pressure on cash flows.

Project execution risks: The Company is exposed to project execution risks as its ongoing projects are still at the implementation stage. Out of the total project cost, the Company has incurred around Rs. 132 Crs till 30.09.2018.

Slowdown in real estate market: Overall real estate sector has been adversely impacted on account of the after effects of demonetization, large inventory of completed and unsold units coupled with negative market sentiments during FY17 and FY18. The Company faces competition within the region from various established regional developers.

Analytical Approach

BWR has considered the standalone business and financial risk profile of the Company, as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes that **AGI Infra Limited'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. The rating outlook may be revised to 'Positive' in case the Company able to generate cash flows as and when required for its short term liquidity requirements, increase turnover and profitability levels, improve its capital structure and successfully complete its ongoing projects as per the time schedule given over the medium term. The rating outlook may be revised to 'Negative' if cash flows continues to fluctuate, delay in project implementation or slowdown in its sales and profitability position over the medium term.

About the Company

AGI Infra Ltd (AGI Infra) was established at Jalandhar, Punjab in the year 2005. The Company is listed on BSE-SME. It is engaged in the development of residential and commercial real estate projects in Jalandhar, Punjab. It is managed by Mr. Sukhdev Singh (Managing Director). Currently, AGI Infra is handling around 5 projects with the name of Jalandhar Heights 2 - Phase II, AGI Smart Homes, AGI Sky Garden, AGI Pride and Urbana. AGI Infra has sold ~ 44% of its total ongoing projects & completed ~ 36% of its total construction work till 30.09.2018. All its ongoing projects are RERA Compliant.

Company Financial Performance

AGI Infra Limited has reported a total operating income of Rs. 121.90 Cr in FY18 as against Rs. 145.96 Cr in FY17. It has reported a net profit of Rs. 11.65 Cr during FY18 as against Rs. 5.21 Cr during FY17. As on 31st March 2018, it has reported a tangible net worth of Rs. 48.64 Cr against Rs. 37.13 Cr as on 31st March 2017.

Key financial indicators are summarized in Annexure I below:



Any other information: Not Applicable

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Facility	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	31 Oct 2017	18 Aug 2016	2015
1	Fund Based Term Loans	Long Term	80.58	BWR BBB (Stable)	BWR BBB (Stable)	BWR BBB - (Stable)	N.A
2	Non Fund Based ILG Limit	Long Term	4.00	BWR BBB (Stable)	-	-	N.A.
3	ILG Limit	Short Term	(4.00)	Rating Withdrawn	BWR A3+	BWR A3	N.A.
Total			84.58 (INR Eighty Four Crores & Fifty Eight Lakhs Only)				

Status of non-cooperation with previous CRA: Not Applicable

Hyperlink/Reference to applicable Criteria

• [General Criteria](#)

• [Approach to Financial Ratios](#)

• [Services Sector](#)

For any other criteria obtain hyperlinks from website

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Annexure I - Key Financial Indicators of AGI Infra Limited



Particulars	FY17 (A)	FY18 (A)
Total Operating Income (Rs. Crs)	145.96	121.90
EBITDA (Rs. Crs)	16.70	25.34
PAT (Rs. Crs)	5.21	11.65
Total Tangible Net worth (Rs. Crs)	37.13	48.64
Total Debt to Equity Ratio (times)	1.45	1.88
ISCR (times)	2.48	3.32

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf. Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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