



## Rating Rationale

AGI Infra Limited

31 October, 2017

**Brickwork Ratings revises the ratings for the Bank Loan Facilities of Rs. 105.68 Cr of AGI Infra Limited.**

### Particulars

Facility Rated	Amount (Rs. Cr)		Tenure	Rating *	
	Previous	Present		Previous	Present
Term Loan (Fund Based)	63.90	101.68	<b>Long Term</b>	<b>BWR BBB-</b> (Pronounced as BWR Triple B Minus) (Outlook: Stable)	<b>BWR BBB</b> (Pronounced as BWR Triple B) (Outlook: Stable) <b>Up-graded</b>
Bank Guarantee (Non-Fund Based)	1.00	4.00	<b>Short Term</b>	<b>BWR A3</b> (Pronounced as BWR A Three)	<b>BWR A3+</b> (Pronounced as BWR A Three) Plus <b>Up-graded</b>
<b>Total</b>	<b>64.90</b>	<b>105.68</b>	<b>INR One Hundred Five Crores and Sixty Eight Lakhs Only.</b>		

^Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rating Up-graded

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY17, projections for FY18 and FY19, publicly available information and information/clarifications provided by the company.

The rating derives strength from the experience of the promoters and management team with their established track record, completion of phase 2 of the project- Jalandhar Heights-1, satisfactory booking rate and construction progress of Jalandhar Heights-2 including major approvals in-place. The rating is, however, constrained by project execution risks, high dependence on customer advances for project funding and inherent risks associated with the real estate industry. The rating further takes note of the newly enacted law – Real Estate (Regulation and Development) Act, 2016 (RERA) which is applicable to all the ongoing and future real estate projects in India and RERA has several operational and financial implications on the realtors. The company has applied for RERA registration certificate and hence the project falls under the purview of RERA. Going forward, The Company's ability to adopt appropriate strategies for timely completion of its project including controlling costs, maintaining



competitive pricing and margins, timely execution and saleability of the project along with the timely recovery of receipt/advances from the customers remain the key rating sensitivities.

### **Key Rating Drivers**

#### **Rating Strengths:**

**Long track record of operations and experienced management** - Company is promoted by Mr Sukhdev Singh and Smt. Salwinder Kaur, who are also the directors in the company. The company has already executed and delivered more than 1.5 million sq.ft of Residential, commercial space. AGI is into same line of business since 2005 and thus has long track record of operations.

**Satisfactory progress of the project-** Completion of phase 1 & 2 during 2016 and construction of phases 3 is under progress for Jalandhar Heights -1. Over 95% sold in phase 1, 80% sold in phase 2 and 60% in phase 3 for the same and cash received from the customers for all the sold area. All the required approvals are in place for the ongoing projects. The construction of phases 1 & 2 for Jalandhar Heights -2 is under progress and overall booking status is about 40%.

**Established track record and consistent improvement in operating income-** Total operating income of the company increased to Rs 145.96 Cr during FY17 as against Rs 60.59 Cr during FY16.

**Low gearing and Moderate debt protection indicators** - The liquidity position of the company has remained moderate. For FY17 .The total debt to TNW ratio remains moderate at 1.44x as on March 31, 2017 as compared to 1.26x as on March 31, 2016. DSCR for FY17 is at 1.17x

#### **Rating Weaknesses:**

**Project Off-take risk (Phase 2)** -The phase -1&2 of Jalandhar Heights-2 is under construction and is expected to be completed by December 2019. Thus timely completion of the project without any cost and time over run is the major risk.

**High collection risk** – Company has very high dependency on customer advances for project funding.

**Inherent risks associated with real estate industry** - The real estate industry is highly fragmented in nature with presence of large number of unorganized players and a few large organized players, besides general slowdown in the real estate industry.

#### **Rating Outlook: Stable**

BWR believes that **AGI Infra Limited** 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 revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

#### **About the Company:**

Incorporated in May 2005, AGI was set up as GI Builders Private Ltd by Mr Sukhdev Singh. The name of the company was changed to the present one in 2011. AGI got listed on the Bombay



Stock Exchange in March 2015. Presently, AGI is developing 2 group housing project 'Jalandhar Heights -1 and' Jalandhar Heights -2 at , Jalandhar, Punjab The company has already executed and completely delivered Phase I and Phase II of Jalandhar Heights -1 and is currently developing Phase III which is expected to be completed by April 2018. AGI has also delivered a shopping-cum commercial complex named 'AGI Business Centre' at Garha Road, Jalandhar. During 2016. The other project Jalandhar Heights-2, is expected to be completed by December 2019. The overall booking status of all projects is ~60 % for Jalandhar Heights-2.

The Company is currently being managed by Mr. Sukhdev Singh (Managing Director), Mrs Salwinderjit Kaur, Mr. Anuj Bansal , Mr. Manjit Singh and Mr. Atul Mehta

### Company Financial Performance

	ABS FY16	ABS FY17
Net Sales (Rs Cr.)	60.59	145.96
EBIDTA (Rs Cr.)	12.42	16.70
PAT (Rs Cr.)	3.90	5.44
Tangible Net worth (Rs Cr.)	32.25	37.36
Total Debt : TNW (Times)	1.26	1.44
Current Ratio (Times)	1.78	3.66

### Rating History for the last three years:

Sl. No.	Facility	Current Rating (October 2017)			Rating History		
		Type	Amount (Rs Cr)	Rating	Rating Assigned in 2016	Rating Assigned in 2015	Rating Assigned in 2014
1	Term Loan	Long Term	101.68	<b>BWR BBB</b> Outlook: Stable <b>Upgraded</b>	<b>BWR BBB-</b> Outlook: Stable	NA	NA
2	BG	Short Term	4.00	<b>BWR A3+</b> <b>upgraded</b>	<b>BWR A3</b>		
	<b>Total Rated Amount</b>		105.68	INR One Hundred Five Crores and Sixty Eight Lakhs Only.			

Any other information: NA

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Service Sector](#)



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#### Note on complexity levels of the rated instrument:

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#### About Brickwork Ratings

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