



## Rating Rationale

11 Aug 2020

### Agrawal Infrabuild Pvt. Ltd.

**Brickwork Ratings reaffirms the ratings, and removes from Issuer Not Cooperating category, for the Bank Loan Facilities of ₹ 181 Crores of Agrawal Infrabuild Pvt. Ltd.**

#### Particulars

| Facilities**                                     | Amount (₹ Crs)  |                | Tenure                                   | Rating*   |                                      |
|--|-----------------|----------------|--|---|--------------------------------------|
|  | Previous        | Present        |  | Previous (Apr 2019)                             | Present                              |
| Fund Based<br>Cash Credit<br>Term Loan           | 30.00<br>-      | 30.00<br>2.00  | Long<br>Term                             | BWR BBB-<br>(Stable)<br>Issuer not cooperating^ | BWR BBB-<br>(Stable)<br>(Reaffirmed) |
| Non-fund Based<br>BG (Existing)<br>BG (Proposed) | 51.00<br>100.00 | 80.00<br>69.00 | Short<br>Term                            | BWR A3<br>Issuer not cooperating^               | BWR A3<br>(Reaffirmed)               |
| Total  | 181.00          | 181.00         | INR One Hundred & Eighty One Crores Only |   |                                      |

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

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

^Issuer did not Cooperate;based on best available Information

#### RATING ACTION

BWR has removed the long term & short term ratings, for the bank loan facilities of Agrawal Infrabuild Pvt. Ltd. (AIPL or the company), from the 'Issuer Not Cooperating' category while reaffirming the previous ratings. The ratings factor in the comfort derived from the company's moderate financial risk profile owing to its comfortable gearing, profitability and debt coverage metrics. The company has high revenue visibility for FY21 & FY22 supported by its unexecuted order book position of Rs 766 Crs, largely coming from a high value EPC contract for constructing a six lane highway in the state of Orissa. The ratings also derive comfort from adequate liquidity with the company and long experience of its promoters in executing road construction projects. The ratings are, however, constrained by the project concentration risks as the projected revenues are contingent upon successful execution of a single project, time and cost overrun risks arising from delayed implementation of this project and continued moderation of company's revenues since 2018.

#### Covid Impact:

The company's operations have been impacted due to nationwide lockdown announced by GoI in March 2020. The company's first milestone of its flagship project was delayed by ~7 months with Covid-19 pandemic being one of the reasons. However, the operations re-started successfully in May 2020 and the company does not foresee any major project implementation challenges in the medium term. The



company has taken a Term Loan of Rs 2 Crs under the Emergency Credit Line Guarantee Scheme (ECLGS) to support the liquidity in the short term.

## **OUTLOOK: STABLE**

BWR believes the business risk profile of AIPL. will be maintained over the medium term. The Stable outlook indicates a low likelihood of a rating change over the medium term. The rating outlook may be revised to Positive in case revenues and the profit show a sustained improvement. The rating outlook may be revised to Negative if revenues go down, and profit margins show lower-than-expected figures.

## **Key Rating Drivers**

### **Credit Strengths:**

- **Healthy Order Book:** The company has an unexecuted order book of ~Rs 766 Crs as of June 2020 which is to be executed in next 15-18 months. The company has entered into a LOA, and subsequently an EPC sub-contract, with Punj Lloyd Ltd. (PLL) for constructing the six lanes of NH5 in the state of Orissa for the National Highway Authority of India (NHAI). The company has completed Rs 67 Cr worth of work on this project out of the total project cost of Rs 767 Crs. Other than this, the company has got a project worth Rs 66 Crs of unexecuted value for upgradation of Mangla Bhasajhar Road in Chhattisgarh state.
- **Comfortable Financial Risk Profile:** The company's profitability stood comfortable with OPM and NPM being 27.77% & 7.27% respectively in FY20 (Prov.) as against 18.36% & 5.29% in FY19. Comfortable gearing of 0.44x is a result of low total debt of Rs 36.81 Crs against a large net worth of Rs 83.73 Crs in FY20 (Prov). The company has robust debt coverage metrics with an ISCR of 6.68x and DSCR of 3.40x in FY20 (Prov.) compared with that of 7.03x and 1.27x respectively in FY19. It has a maturing debt of Rs 5.87 Crs in FY21 against the projected internal accruals of Rs ~39 Crs in FY21, although the accruals are subject to timely achievement of project milestones. The company's TOL/TNW ratio of 0.71x (FY20) and 0.31x (FY19) depicts low leverage despite the fact that the company gets a good amount of mobilisation advances for executing the projects.
- **Established track record of operations:** The company has operated in the construction business since 2005. It is a Class I contractor with the PWD department of Chhattisgarh and has executed a range of projects for the government agencies such as NHAI, Chhattisgarh Road Development Corp. Ltd., Bilaspur Municipal Corp. etc. in the past. The promoters are seasoned businessmen with interests in diverse businesses through different associate companies.

### **Credit Risks:**

- **Declining Revenues:** The company has a small scale of operations and the revenues have declined from a high of ~ Rs 165 Crs in FY18 to ~ Rs 132 Crs (FY19) and a low of ~ Rs 85 Crs in FY20 (Prov.). The delays in execution of some key projects has led to this decline. The company has achieved a revenue of ~Rs 45 Crs during 4MFY21 and has given an ambitious projection of Rs 350 Crs in FY21; however, achievability of this projection is a function of a range of extraneous factors such as timely land & environmental clearances by the government.



- **Delays in the Flagship Project:** The NH 5 six laning project of NHAI comprises ~90% of the company's order book. The project's first milestone (~10% in value) was achieved in May 2020 against the original scheduled date of 7th Oct 2019. The company's request for extension of 2nd milestone (~30% of contract value) from original scheduled date of 08 April 2020 to 29th Nov 2020 is pending with NHAI. The project's original completion date of 08th April 2021 will most likely be extended given the current status of the project.

### **Analytical Approach**

The ratings of AIPL have been arrived at on a standalone basis after the independent evaluation of its financial risk profile. For arriving at its ratings, Brickwork Ratings (BWR) has applied its rating methodology as detailed in the rating criteria below (hyperlinks provided at the end of this rationale)

### **RATING SENSITIVITIES**

**Positive:** The rating may be upgraded if the company achieves the projected revenues, while maintaining the existing debt coverage metrics, a healthy liquidity profile besides other factors favouring an upgrade..

**Negative:** The rating may be downgraded if the company's revenues reduces further from present levels due to delay in execution of projects, its financial risk profile deteriorates significantly, resulting in, say an ISCR of less than 2x and a DSCR of less than 1x; or a significant deterioration is noted in its liquidity profile.

### **LIQUIDITY POSITION: ADEQUATE**

Adequate liquidity indicated by moderate utilisation of credit lines ~70% on an average for the last six months, low gross current assets days due to low receivables (~ Rs 28 Crores) and inventory of ~ Rs 12 Crs in FY20. The company had sufficient cash & cash equivalents of Rs 20.49 Crs as on FY20(Prov.). It has a current maturity of long term debt of Rs 5.87 Crs in FY21, while the cash accruals stood at ~ Rs 18.5 Crs in FY20(Prov.). Net cash accruals to total debt stood comfortable at 0.50x in FY20. The current ratio stood comfortable at 1.52x in FY20(Prov.).

### **About the Company**

AIPL, incorporated in 2005 by the Agrawal family, based in Bilaspur undertakes civil works, particularly road construction. It has executed road construction and maintenance projects for various state government departments and schemes such as the Public Works Department, Pradhan Mantri Gram Sadak Yojana and for the National Highway Authority of India in Chhattisgarh.



**Company's Financial Performance**

| Key Parameters                | Units     | 2019   | 2018   |
|-------------------------------|-----------|--------|--------|
| Result Type                   |           | Aud.   | Aud.   |
| Operating Revenue             | Rs in Crs | 132.13 | 165.89 |
| EBITDA                        | Rs in Crs | 23.49  | 28.43  |
| PAT                           | Rs in Crs | 6.99   | 7.12   |
| Tangible Net worth            | Rs in Crs | 77.50  | 61.98  |
| Total Debt/Tangible Net worth | Times     | 0.14   | 0.78   |
| Current Ratio                 | Times     | 1.88   | 0.83   |

**Key Covenants of the Instrument/Facility rated: None**

**Non-cooperation with previous Rating Agency, if any: CRISIL vide its rationale dated 06 June 2019 has placed the rating of the company at CRISIL B+(Stable)/A4 (Issuer Not Cooperating)**

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

| Facility/<br>Instrument | Current Rating |               |        |                        | Rating History<br>(Amounts in Rs Crs) |        |                                  |             |        |                       |              |        |                       |  |
|-------------------------|----------------|---------------|--------|------------------------|---------------------------------------|--------|----------------------------------|-------------|--------|-----------------------|--------------|--------|-----------------------|--|
|                         | 10 Aug 2020    |               |        |                        | 22 May 2020                           |        |                                  | 07 Jan 2019 |        |                       | 28 June 2018 |        |                       |  |
|                         | Facility       | Type          | Amount | Rating                 | Facility                              | Amount | Rating                           | Facility    | Amount | Rating                | Facility     | Amount | Rating                |  |
| Bank<br>Loan<br>Rating  | FB             | Long<br>Term  | 30     | BWR<br>BBB-/<br>Stable | FB                                    | 30     | BWR<br>BBB-/<br>Stable<br>(INC*) | FB          | 30     | BWR<br>BBB/<br>Stable | FB           | 30     | BWR<br>BBB/<br>Stable |  |
|                         | NFB            | Short<br>Term | 151    | BWR<br>A3              | NFB                                   | 151    | BWR<br>A3<br>(INC*)              | NFB         | 151    | BWR<br>A2             | NFB          | 51     | BWR<br>A2             |  |

\*Issuer did not cooperate; based on best available information

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

| Analytical Contacts   | Investor and Media Relations   |
|---|--|
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**Agrawal Infrabuild Pvt. Ltd.**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

| Sl. No.      | Name of the Bank    | Type of Facilities | Long Term<br>(₹ Cr) | Short Term<br>(₹ Cr) | Total<br>(₹ Cr) |
|--------------|---------------------|--------------------|---------------------|----------------------|-----------------|
| 1            | State Bank of India | Cash Credit        | 30.00               | -                    | 30.00           |
| 2            |                     | Term Loan          | 2.00                |                      | 2.00            |
| 3            |                     | BG-Existing        | -                   | 80.00                | 80.00           |
| 4            |                     | BG-Proposed        | -                   | 69.00                | 69.00           |
| <b>TOTAL</b> |                     |                    | <b>181.00</b>       | <b>-</b>             | <b>181.00</b>   |

**Total Rupees One Hundred & Eighty One Crores only.**



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