



Rating Rationale

Agrawal Infrabuild Pvt. Ltd.

28 June 2018

Brickwork Ratings upgrades the ratings for the enhanced Bank Loan Facilities of Rs. 81.00 Crores of Agrawal Infrabuild Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (March, 2017)	Present
Fund based Cash Credit	5.00	30.00	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook:Stable (Rating not reviewed)	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable (Upgrade)
Non Fund Based Bank Guarantee	41.00	51.00	Short Term	BWR A3 (Pronounced as BWR A Three) (Rating not reviewed)	BWR A2 (Pronounced as BWR A Two) (Upgrade)
Non Fund Based Sub Limit_LC	-	(5.00)			
Total	46.00	81.00	Rupees Eighty One Crores Only		

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

Ratings: Upgraded

Rating has been upgraded to BWR BBB/A2 with stable outlook for Agrawal Infrabuild Pvt Ltd ('the company' or 'AIPL').

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials from FY15 to FY17 along with the provisional financials for FY18 and projections of FY19 and FY20 and publicly available information and information/clarifications provided by the management.

The ratings factors in the promoter's long track record of over three decades in infrastructure sector, company being a 'Class I' contractor with Public Works Department of Chhattisgarh and healthy order book position of Rs. 700.34 Crs to be executed within period of two to three years. The rating also factors in the growth in company's revenue and improved profitability from business operations as per the FY18 provisionals.

The rating is however constrained by modest scale of operations in the civil construction business and tender based contract awarding system limiting margins, geographic concentration risk, raw material price volatility affecting margins and intense competition owing to the fragmented nature of the industry.

Description of Key Rating Drivers

Credit Strengths:

- **Established track record of operations supported by reputed customer base:** The company has been operating in the infrastructure project implementation since 2005 and has an established track record in roads construction and maintenance. The company's clientele, primarily consists of government departments and public sector undertakings.
- **Healthy order book position:** The outstanding order book position of the company stood at around Rs. 700.34 Crs at the end of FY18, which was ~4.24 times the operating income generated in FY18 which provides revenue visibility for the next two to three years.
- **Comfortable Debt protection indicators:** Majority of the company's borrowings are in the form of working capital limits. AIPL has reported an Interest Coverage ratio (ISCR) of 5.26 times FY17. ISCR has remained in the range of 4-6 times during the last three years and is likely to continue at acceptable level over the medium term due to low reliance on external long term borrowing.

Credit Risks:

- **Moderate scale of operations:** AIPL reported sales of Rs 80.31 Crs in FY17 increasing from Rs. 39.41 Crs in FY16. Despite total operating income expected to increase to Rs. 164.95 Crs as per provisional financials for FY18, AIPL will remain a moderate player in the highly competitive construction industry marked by the presence of a few large players and several medium sized players.
- **Geographically concentrated order book:** AIPL, has an order book of Rs.700.34 Crs at the end of FY18. The orders/contracts are solely in Chhattisgarh and are expected to be in the same region over the medium term.
- **Exposure to risk of volatility in material prices:** The company remains exposed to risk of volatility in raw material prices which in turn would impact the revenues and profitability.
- **Fragmented and highly competitive nature of industry:** The construction industry is highly fragmented in nature with presence of large number of unorganized players and a few large organized players coupled with the tender driven nature of the contracts puts pressure on the profitability margins of the players. AIPL is a regional player and all the projects are executed in Chhattisgarh.

Analytical Approach

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

Rating Outlook: Stable

BWR believes the **Agrawal Infrabuild Pvt. Ltd.** 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:

AIPL, incorporated in 2005 by 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. The company has worked for Chhattisgarh Road Development Corporation Limited (CGRDCI), Bilaspur Municipal Corporation, National Highway Authority of India (NHAI), Chhattisgarh Rural Road Development Agency (CGRRDA) and Public Works Department Chhattisgarh etc.

Company Financial Performance

In FY17, the company reported a net profit Rs.3.87 Crs on total operating income of Rs.80.31 Crs compared to net profit of Rs.2.02 Crs on total operating income of Rs.39.41 Crs. As per provisional FY18 financials, the company has achieved the revenue of Rs. 164.95 Crs.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	March, 2017	2016	Nov, 2015
1.	Fund Based	Long Term	30.00	BWR BBB/Stable	BWR BBB-/Stable	NA	NA
2.	Non Fund Based	Short Term	51.00	BWR A2	BWR A3	NA	NA
	Total		81.00	Rupees Eighty One Crores Only			

Status of non-cooperation with previous CRA - NA

Any other information

Key Financial Indicators

Key Parameters	Units	2017	2016
		Audited	Audited
Total Operating Revenue	Crores	80.31	39.41
EBITDA	Crores	13.05	5.60
PAT	Crores	3.87	2.02
Tangible Net worth	Crores	53.31	49.45
Total Debt/Tangible Net worth	Times	0.29	0.23
Current Ratio	Times	1.75	1.95

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



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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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.