



## Rating Rationale

Anurag Enterprises

16<sup>th</sup> November 2017

**Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs. 130 Crs of Anurag Enterprises.**

### Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
Fund Based	13.00	Long Term	BWR BBB- (Pronounced as Triple B Minus) Outlook: Stable
Non Fund Based	117.00	Short Term	BWR A3 (Pronounced BWR A Three)
Total	130.00	INR One Hundred and Thirty Crores Only	

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

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

BWR has essentially relied upon the audited financial results up to FY17, provisional upto 6MFY18, publicly available information and information/clarification provided by the firm's management.

The rating has, inter alia, factored in the long track record and experience of the promoters in the construction business. The rating also derives strength from significant improvement in FY17 coupled with reasonable order book position and strong financial risk profile. The rating also takes into account that Government of India being the major customer of the firm, assuring the credibility of the receivables. The rating is, however, constrained by the fluctuating revenue owing to nature of business (tender based) and disadvantages of partnership firm in terms of management and finance.

Going forward, the ability of the firm to scale up its operations on a sustained basis, broad base the clientele, timely completion of the projects and maintain its overall gearing level will be the key rating sensitivities.

### Key Rating Drivers:

16<sup>th</sup> November 2017



**Experienced Partners:** Anurag Enterprises has been in the civil construction industry for over 30 years and has established a reasonable track record of operations with its ability to bag repeat orders from its clientele and complete the projects in a timely manner. Mr Ved Prakash Vashishtha; (B. Sc. And LLB.) handles the overall operations. He has been in this field for more than 32 years and is well acquainted to carry out the business. Being in the industry for a considerable period of time, the promoters were able to establish long term relationship with Governments departments , which has helped in developing business of the firm.

**Growth in total operating income and stable in profitability margins** The total operating income of the firm grew by 17% from Rs. 210.25 crore in FY16 to Rs.247.03 crore in FY17 on account of year on year increase in execution of civil construction orders received from government departments. However, EBIDTA margin remains same in FY17 as compared to FY16 although the net profit margin of the entity improved from from 5.18% in FY16 to 8.99% in FY17 due to non operating income.

**Comfortable capital structure and debt coverage indicators:** Firm's capital structure is comfortable with minimal debt on its balance sheet. The debt equity ratio of the firm has been improving y-o-y and remained below unity during the review period. The overall gearing ratio of the firm has also been improving y-o-y from 1.68x as on March 31, 2016 to 1.50x as on March 31, 2017 due to negligible loans coupled with increase in tangible networth. While the operations are working capital intensive, the firm has traditionally relied more on equity to fund the same. The debt coverage indicators of the firm remained at comfortable levels marked by increase in ISCR level from 4.62 times in FY16 to 5.09 times in FY17.

**Constitution being a partnership firm:** Constitution as a partnership has the inherent risk of possibility of withdrawal of the capital at the time of personal contingency which can adversely affect its capital structure, besides dependence on partners for day to day decision making.

**Fluctuating Revenue:** Revenue generation is volatile owing to nature of business (tender based). The firm's income is predominately derived from contracts from the government of India exposing it to substantial client concentration risk. Ability of the firm to diversify its revenue base would help reduce the risk of client concentration at present.

### **Rating Outlook: Stable**

BWR believes the firm'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 revenue level shows sustained improvement. The rating outlook may be revised to 'Negative' if the profit margins show lower than expected figures.

### **About the firm**



**Anurag Enterprises** has more than 30 years of experience in civil construction under the leadership of Mr. Ved Prakash Vashishtha , well supported by Mr. Ishwar Dayal Sharma. The Firm has executed government funded buildings like FDDI and Police Departments. (residential and non residential). Company acquires projects from Central government through tenders.

### Firm Financial Performance

<b>Key Financial Figures</b>			
<b>Particulars</b>	<b>Unit</b>	<b>FY16 (A)</b>	<b>FY17 (A)</b>
Operating Income	Rs. Crores	210.25	247.03
EBITDA	Rs. Crores	13.39	15.09
PAT	Rs. Crores	10.89	22.21
Tangible Networth	Rs. Crores	33.81	42.73
Total Debt	Rs. Crores	17.92	18.50
Total Debt:TNW	Times	0.53	0.43

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

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History	
		Type (Long Term/Short Term)	Amount (RsCrS)	Rating	Date in 2016	Date in 2015
1	Fund Based	Long Term	13	BWR BBB-	NA	NA
2	Non Fund Based	Short Term	117	BWR A3	NA	NA
	<b>Total</b>		<b>130</b>	<b>(INR One Hundred and Thirty Crores Only)</b>		

### Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Criteria](#)
- [ShortTermDebt](#)



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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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