



RATING RATIONALE

19 Jan 2021

AGI Infra Ltd

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs.100.75 Crs of AGI Infra Ltd

Particulars:

Facility	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (14 Jan 2020)	Present
Fund Based	111.70	94.75	Long Term	BWR BBB Stable	BWR BBB Stable
Non Fund Based	4.00	6.00			
Total	115.70	100.75	Rupees One Hundred crores and Seventy Five Lakhs Only		

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

Complete details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Reaffirmation in the ratings of bank loan facilities of AGI Infra Ltd (AIL or the company) factors in growth in revenues along projected lines and improvement in the overall financial risk profile, as indicated by improvement in profit margins, net worth position, gearing and debt coverage metrics, besides the experience and support of the promoters. Despite challenging economic circumstances, the company has been able to successfully complete two residential and one commercial project during the past one year and improve upon the bookings of its under construction units from 38% in Jan 2020 to 61.50% in Dec 2020. During Q3FY21, the company has raised its authorised share and paid-up share capital from Rs.12 crs and Rs.10.22 crs respectively to Rs.15 crs and Rs.12.22 crs respectively after issuance of additional 20 lakh shares at price of Rs.53 per share, with a premium of Rs.43 per share. The company also proposes to launch an affordable housing project with 390 units in the coming months.

Going forward, owing to healthy bookings, customer advances, infusion of capital and reduction in long term borrowings, BWR expects the company to improve upon its revenues, net worth, gearing and overall financial risk profile along the projected lines. Further, an unsold inventory of approx. 650 units under construction and proposed launch of an affordable housing project with 390 housing units provides a good medium term revenue visibility for the company. Proposed leasing of its commercial real estate space under the project AGI Pride from April 2021 onwards would further boost the revenues during FY22 onwards.

The ratings are, however, constrained by a moderate scale of revenues, elongated cash conversion cycle, slowdown in real estate market and inherent risks associated with the real estate sector.

Covid-19 Impact : During Q1 and Q2FY21, progress in construction of projects and bookings were impacted due to COVID 19 induced pan-India lockdown and shortage of labour. Initially, the company obtained a 6M moratorium on loan repayments, but subsequently cleared all the instalments and also prepaid a few instalments. The company availed emergency line of funding of Rs.10.85 crs with current outstanding balance of Rs.9.20 crs (not rated by BWR) and did not propose OTR (One Time Restructuring) under RBI guidelines on One Time Loan Recast for COVID 19 relief.

Outlook: Stable

BWR believes the AGI Infra Ltd.'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 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.

KEY RATING DRIVERS

Credit Strengths

Revenues (Growth): Operating revenues of the company have improved from Rs.80.62 crs in FY19 to Rs.91 crs in FY20 on the strength of healthy bookings and timely handover of the units to clients. In 6MFY21, the company has generated revenues of Rs.55 crs against full year expectations of Rs.110 crs.

Profit Margins: Operating margins improved from 29.56% in FY19 to 36.30% in FY20 and net margins improved from 11.51% to 16.54% in the same period.

Networth: Net worth improved from Rs.55.54 crs in FY19 to Rs.68.26 crs in FY20 due to retention of profits in the business (net of dividends paid during the year). During Q3FY21, the company has increased its authorised share capital and paid-up share capital to Rs.15 crs (earlier Rs.12 crs) and Rs.12.22 crs (earlier Rs.10.22 crs) respectively, after issuance of additional 20 lakh shares at price of Rs.53 per share, with a premium of Rs.43 per share.

Gearing: Due to repayment of term debt of past projects, total borrowings declined resulting in improved gearing at 1.54x during FY20 against 2.05x in FY19. On the strength of infusion of additional equity in the company during Q3FY21, gearing is further expected to improve to 0.90x in FY21. Overall TOL/TNW ratio is generally high y-o-y due to higher quantum of customer advances.



Credit Risks:

Moderate scale of revenues: Overall scale of revenues of the company was modest at Rs.90 crs during FY20 despite numerous projects being under development with satisfactory bookings, customer advances and sale receivables.

Deterioration in cash conversion cycle: CCC of the company has deteriorated from 1448 days in FY19 to 1994 days in FY20 mainly on account of inventory holdings that have increased from 1455 days in FY19 to 2007 days in FY20.

Slowdown in the Real Estate market: Overall real estate market has been adversely affected after demonetisation and GST implementation leading to large inventory of completed and unsold units and with negative market sentiments. The company is likely to face stiff competition from other various established regional players.

Other inherent risks associated with Real Estate projects- Real Estate sector is highly regulated and completion of the project depends upon a number of internal and external factors amongst which the most common are cost and time overruns and customer defaults, as projects are largely dependent on customer advances for funding.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Positive: Completion of undertaken projects within the stipulated timelines, improvement in booking position and sale realisations, reduction in inventory holdings, growth in revenues and cash flows.

Negative: Stagnation of sales position, delays in construction of the projects, decline in revenues and stretched cash flows.

LIQUIDITY POSITION : ADEQUATE

During Q3FY21, on the strength of heavy inflow of cash from customer advances of Rs.27 crs, equity infusion of Rs.10.60 crs and sale of units of Rs.37 crs, the company was able to reduce its term debt substantially by Rs.44 crs and improve the liquidity position. During Q4FY21, the company expects cash inflow of Rs.35.16 crs against total cash outflows of Rs.47 crs and expects to meet the shortfall from the accumulated cash balance of Rs.16.81 crs at end of Q3FY21. For FY21, the company expects total cash inflow of Rs.189.75 crs against total cash outflow of Rs.189.55 crs. During the current FY21, the company has infused additional funds of Rs.10.60 crs through equity and proposes to launch a new affordable housing project at a total cost of Rs.76 crs to be met through a mix of equity, customer advances and external finance.

COMPANY PROFILE

AGI Infra Ltd., established on 27th May 2005 with its current registered office at Jalandhar Heights, 66 ft. Road, Vill. Pholriwal, Near Urban Estate, Phase II, Jalandhar, is engaged in the development of residential and commercial real estate projects in Jalandhar, Punjab. Sukhdev Singh, Salwinderjit Kaur, Balwinder Singh, Atul Mehta, Pramod Kumar Sharma and Anuj Rai Bansal are the directors in the company. Currently, AGI Infra Ltd is handling a total 4 different residential and commercial projects namely Jalandhar Heights - 2 (Ph-II and Ph-III), AGI Palace, AGI Sky Garden and Urbana and is in the process of another affordable housing project named AGI Maxima. All the existing projects are registered under RERA.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2019(Aud)	2020 (Aud.)
Operating Revenue	Rs. crs	80.62	91.02
EBITDA	Rs. crs	23.83	33.04
PAT	Rs. crs	9.28	15.05
Tangible Net worth	Rs. crs	55.54	68.26
TOL/TNW	Times	4.35	4.86
Current Ratio	Times	1.61	1.31

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : N.A

RATING HISTORY for the past three years (Including withdrawn and suspended)

Instrument /Facility	Current Year (2020)			Rating History (Rs. in Crs)						
	Current Rating			16 Jan 2020		2019	17 Dec 2018			
Bank Loan Facility	FB	Rs.94.75 crs	BWR BBB (Stable)	FB	Rs.111.70 crs	BWR BBB (Stable)	N.A	FB	Rs.80.58 crs	BWR BBB (Stable)
	NFB	Rs.6crs		NFB	Rs.4 crs			NFB	Rs.4 crs	
	Rupees One Hundred crores and Seventy Five Lakhs only									

ANNEXURE I

AGI Infra Ltd

Details of Bank Facilities rated by BWR

Sl. No.	Type of Facilities	Long Term {(₹ Cr)}	Short Term {(₹ Cr)}	Total (₹ Cr)
1	Term Loan	11.40	NIL	11.40
2	Term Loan	11.07	NIL	11.07
3	ILG	6.00	NIL	6.00
4	Term Loan	8.51	NIL	8.51
5	Term Loan	26.00	NIL	26.00
6	Term Loan	16.77	NIL	16.77
7	Term Loan	21.00	NIL	21.00
TOTAL		100.75	NIL	100.75

Total Rupees One Hundred crores and Seventy Five Lakhs only.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	
[Saurabh Agarwal] Senior Rating Analyst [Board: +91 11 23412232] [saurabh.a@brickworkratings.com]	[Ashwini Mital] [Director – Ratings] [Board: +91 172 5032295/96] [ashwinimital@brickworkratings.com]
1-860-425-2742	media@brickworkratings.com



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