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Agrawal Global Infratech Private Limited

November 18, 2020

Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action
Long Term Fund based facilities- Cash Credit	6.00 (enhanced from Rs. 2.50 crore)	IVR BBB- / Stable Outlook (IVR Triple B minus with Stable Outlook)	Revised from IVR BB+/Stable outlook and removed from 'Issuer Not Cooperating'
Long Term Non Fund based facilities- Bank Guarantee	20.00 (enhanced from Rs. 18.50 crore)	IVR BBB- / Stable Outlook (IVR Triple B minus with Stable Outlook)	Revised from IVR BB+/Stable outlook and removed from 'Issuer Not Cooperating'
Short Term Bank Facilities – Bank Guarantee	9.00 (enhanced from Rs. 5.00 crore)	IVR A3 (IVR A Three)	Revised from IVR A4+ and removed from 'Issuer Not Cooperating'
Total	35.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Agrawal Global Infratech Private Limited (AGIPL) has been removed from the 'ISSUER NOT COOPERATING' category as the company has now submitted the information required for the rating exercise. In a review of the information, the ratings take cognisance of the extensive experience of the promoter in the construction sector, proven project execution capability, reputed clientele and its comfortable capital structure with healthy debt protection metrics. The ratings also derive comfort from the strong order book position of the company indicating healthy near to medium term revenue visibility. These rating strengths are however, remain constrained by AGIPL's concentrated portfolio, vulnerability of profit to raw material price movements and presence in highly fragmented & competitive construction industry.



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Rating Sensitivities

Upward Factors:

- Significant growth in scale of operations with increasing client and product diversification
- Efficient management of working capital and timely execution of orders

Downward Factors:

- A decline in the revenue and/or profit margins and/or an increase in the gross working capital cycle on a sustained basis
- Significant deterioration in debt protection parameters and/or liquidity profile
- More than 5% deviation in FY20(A) and FY20 (Prov.) results

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Experienced Promoter**

The overall operation of the company is looked after by Mr. Rakesh Agrawal. He is having a decade long experience in the construction sector. Before incorporation of the proprietorship concern, Mr. Agrawal was involved in construction related activities including supplying of construction related materials to PWD and other Government departments. Mr. Agrawal is well supported by a team of experienced professionals.

- **Proven project execution capability**

Over the past years, the entity has successfully completed many projects across Jharkhand, Odisha and Chhattisgarh in the direct construction space. In order to manage the projects in a better way, the entity has a policy to apply for short to medium duration projects (1-3 years) and handle limited number of projects at a time to ensure timely completion. The repeat orders received from its clientele validate its construction capabilities.

- **Reputed clientele**

The company mainly bids for tenders floated by various government departments/entities and is mainly engaged in roads, highways, bridges and building construction for various government departments through direct contracts as evident from the order book of the



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company. The company has secured contracts from State Highway Authority of Jharkhand, Public Works Department (PWD), National Highway Authority of India and Ministry of Rural Development (Pradhan Mantri Gram Sadak Yojana, Chattisgarh). Further, the scope of work of projects undertaken by the company encompasses construction, widening, strengthening and improvement of existing roads. With its moderate size of operation, association with big government contractees adds credence to the company and the promoter and the construction ability as well.

- **Strong order book reflecting satisfactory medium term revenue visibility**

The company has a strong order book position of ~Rs. 351 crore as on September 30, 2020 which is about 3.9 times of its FY20 construction revenue. The orders are expected to be completed within next one-three years, indicating a satisfactory medium term revenue visibility. The company has also bid for new tenders and is expecting further orders to the tune of ~Rs.240 crore. During H1FY21, the company has achieved revenue of ~Rs.60 crore.

- **Comfortable capital structure with healthy debt protection metrics**

The long term debt equity ratio and the overall gearing ratio were comfortable at 0.46x and 0.52x respectively as on March 31, 2020. Other debt protection metrics (like interest coverage, Long-term Debt/GCA, Long-term Debt/EBIDTA and Total Debt/GCA) have also been satisfactory. The average of monthly CC utilisation for the past 12 months ended September-20 was satisfactory at ~60%.

Key Rating Weaknesses

- **Concentrated portfolio**

The company's presence in the construction segment has predominantly remained in the execution of road projects leading to sectoral concentration risk. Apart from this, the order book is highly concentrated with top three work orders accounting for more than 95% of the order book. Further, biggest NHAI work order in Maharashtra accounts for more than 65% of the outstanding order book. This exposes the company to the risk of booking lower revenues in case of any delay in order execution.

- **Volatile input prices**



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Major raw materials used in road construction activities are steel, cement stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The input prices are generally volatile and consequently the profitability of the company remains susceptible to fluctuation in input prices. However, presences of escalation clause in most of the contracts protect the margin to an extent.

- **Highly fragmented & competitive nature of the construction sector with significant price war**

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate in the near to medium term marked by sufficient accruals vis-à-vis its debt repayment obligations. Besides, average CC utilisation for the past twelve months ended September, 2020 also remained comfortable at ~60% indicating a sufficient cushion.

About the Company

M/s. Agrawal Global Infratech Private Limited was incorporated in January 2017 to take over the business of M/s. Agrawal Infrastructure, a proprietorship entity, with effect from 1st April, 2017. M/s. Agrawal Infrastructure was set up by Mr. Rakesh Agrawal in January 2011. M/s. Agrawal Infrastructure was involved in the business of construction of roads, highways, bridges and building as a direct contractor. All the assets and liabilities of the entity were taken



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over by the company by virtue of a takeover agreement executed on 1st April, 2017. The Company has expertise in construction of roads, highways, bridges, and building with construction material, reinforced earth & earthwork. Currently, the company undertakes the work orders in the state of Jharkhand, Chhattisgarh and Maharashtra. The company is registered as Class "A" contractor under the Public Works Department, Chhattisgarh.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	100.68	90.54
EBITDA	18.68	16.27
PAT	7.17	6.50
Total Debt	22.09	14.53
Tangible Net worth	19.78	27.90
EBITDA Margin (%)	18.55	17.97
PAT Margin (%)	7.09	7.13
Overall Gearing Ratio (x)	1.12	0.52

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund based facilities- Cash Credit	Long Term	6.00	IVR BBB-/ Stable Outlook	IVR BB+/ Stable; ISSUER NOT COOPERATING	IVR BBB-/ Stable Outlook (Oct 4, 2018)	-



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
					(Dec 20, 2019)		
2.	Long Term Non Fund based facilities- Bank Guarantee	Long Term	20.00	IVR BBB-/ Stable Outlook	IVR BB+/- Stable; ISSUER NOT COOPERATING (Dec 20, 2019)	IVR BBB-/ Stable Outlook (Oct 4, 2018)	-
3.	Short Term Bank Facilities – Bank Guarantee	Short Term	9.00	IVR A3	IVR A4+; ISSUER NOT COOPERATING (Dec 20, 2019)	IVR A3 (Oct 4, 2018)	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund based facilities- Cash Credit	-	-	-	6.00	IVR BBB-/ Stable Outlook
Long Term Non Fund based facilities- Bank Guarantee	-	-	-	20.00	IVR BBB-/ Stable Outlook
Short Term Bank Facilities – Bank Guarantee				9.00	IVR A3