



## Press Release

**Akashganga Infraventures India Limited**

**Aug 06, 2020**

### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	17.85	IVR BBB-/Credit watch with developing implications (IVR Triple B Minus Under credit watch with developing implications)	Assigned
2.	Short Term Bank Facilities	25.00	IVR A3 (IVR A Three)	Assigned
	<b>Total</b>	<b>42.85</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The ratings assigned to the bank facilities of Akashganga Infraventures India Limited (AAIL) draws comfort from its experienced promoters, improvement in operating performance in FY20 with strong order book reflecting satisfactory medium term revenue visibility. The ratings also positively consider moderate capital structure with comfortable debt protection metrics and proven project execution capability with satisfactory asset base and reputed clientele. However, these rating strengths are partially offset by customer concentration, higher amount of debtors pertaining to earlier years and stretched liquidity. The rating also considers the highly fragmented and competitive nature of the construction sector with significant price war.

### Key Rating Sensitivities:

#### Upward Factor:

Procurement of new orders providing medium to long term revenue visibility along with a substantial and sustained improvement in the revenue and cash accruals while maintaining the debt protection metrics and improvement in capital structure and liquidity.

#### Downward factor:

Further elongation of working capital cycle, any decline in the revenue and/or profitability leading to deterioration in liquidity position and impairment in debt protection metrics.



## Press Release

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters**

The company is set up under the guidance of Mr. Manoj Bansal along with Mr Gulshan Rai Mahajan. They have more than two decade of experience in the field of construction sector. Both the promoter directors are involved in the day to day operations ably supported by professionals in various departments. Long standing presence of the promoter in the industry has helped the company to establish a healthy relationship with its customers and suppliers.

##### **Proven project execution capability with satisfactory asset base and reputed clientele**

Over the past years, the company has successfully completed many projects of diaphragm wall & piling works and also supply of equipment's & RMC for various government and private entities and ensured timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities. AILL mainly undertake projects of Metro rail, thermal power generation, power infrastructure, Oil & gas infrastructure, railway infrastructure, roads & bridges etc. It mainly bids for tenders floated by government and select private entities based on their financial strength and the payment track record. Moreover, the company also works as a sub-contractor for private entities who gets order from government companies. Customers being government departments and renowned private entities like L&T Geo Ltd imparts comfort with low counterparty risk. Going forward, the company has plans to focus majorly in contracts issued by government/PSU's clientele and reduce exposure towards private companies. The Company keeps upgrading its asset base and currently has a total owned fleet of 25 piling machine of which 18 are new hydraulic piling machines. Owned and automatic machines has helped the company to achieve efficiency and to reduce its operating cost, fuel expense and time line for execution of contracts.

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

The company has a strong unexecuted order book of Rs.227.44 crore as on June 30, 2020 to be majorly completed by FY21, indicating a satisfactory near to medium term revenue visibility. The order book mainly constitutes projects belonging government / PSU's from Power generation and Oil & Gas sectors.



## Press Release

### **Improvement in operating performance in FY20:**

The total operating income of the company registered a CAGR of ~14% during FY17-FY20 with a y-o-y growth of ~38% in FY20(Prov). AILL witnessed an improvement in total operating income from Rs 114 crore in FY19 to Rs 157 crore in FY20(Prov) due to efficiency achieved by addition of new hydraulic pilling machines in its asset base in FY19 and focus on execution of high margin contracts yet remained an marginal player in construction industry. The company has earned EBITDA of 16.30% in FY20(Prov) against 15.47% in FY19. With improvement in EBIDTA margin the company registered an improvement in its PAT margin to 2.40% in FY20(Prov) compared to 1.34% in FY19 and earned gross cash accrual of Rs.20.76 crore against the repayment of Rs 6.07 crore in FY20(Prov).PAT margin has shown improvement despite writing off the bad debts of Rs.4.81cr pertaining to earlier years. Infomerics expects that the company will maintain healthy operating profitability in the future as its strategy is to shift focus on high margin government orders with low counter party risk.

### **Moderate capital structure with comfortable debt protection metrics**

AILL's capital structure remained moderate as on March 31, 2020. The total indebtedness of the company as reflected by TOL/TNW remained improved from 1.60x as on March 31, 2019 to 1.42x as on March 31, 2020(Prov) driven by decrease in repayment of term loan and steady accretion of profit to net worth. The net worth of the company stood at Rs.46.77 crore after adjusting AILL's exposure to its other group and associate companies aggregating to ~Rs.8.74 crore. The overall gearing at 0.88x as on March 31,2020(Prov) which improved from 1.03x as on March 31,2019. The company total debt comprises of Rs 41.25 crores as on March 31,2020 (Prov) including Rs 19.64 crore term loan outstanding, repayments of term loan amounting to Rs 6.07 crore and bank borrowing of Rs 15.54 crore. Interest coverage ratio and Total debt to GCA remained comfortable at 5.37x and 1.99x respectively in FY20(Prov). Infomerics believes the capital structure and debt protection metrics to improve in FY21 on the back of its high unexecuted order book comprising high margin orders from various government companies.



## Press Release

### **Key Rating Weaknesses**

#### **Customer concentration**

Top ten customers contribute to ~96% of total revenue in FY20(Prov). Further, in its order book, ~75% of unexecuted orders are from two parties, Engineers India Limited and Bharat Heavy Electricals Limited which indicates high concentration in its order book.

#### **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. In the piling segment the company has to face competitor from few large and established players and various small players. While the competition is perceived to be healthy, significant price war by few players during the bidding process is a major challenge to be addressed..

#### **High long pending debtors**

The company has debtors ageing of more than one year aggregating to Rs.6.36 crore (~13% of its tangible net worth as on March 31, 2020) which remained due since FY19 against which the company has already initiated various recovery proceedings. Apart from this, the company has write off debtors worth Rs.4.81 crore in FY20(Prov) and Rs 6.32 crore in FY18 which has largely affected the profitability and liquidity of the company. Recovery of the long pending dues is a key rating monitorable. The adjusted net worth of the company stood at Rs.40.41 crore after adjusting AILL's exposure to its other group and associate companies aggregating to ~Rs.8.74 crore and pending debtors of Rs 6.36 crore. TOL/ANW stood at 1.64x for FY20(Prov).

#### **Stretched liquidity**

The liquidity position of the company remained stressed mainly due to high amount of old debtors of previous years and increase in scale of operations while the working capital limits remain the same. Further, significant part of its working capital remains blocked in earnest money deposits and retention money. The company mainly depends on bank borrowings to



## Press Release

fund its working capital requirements. Accordingly, its fund-based working capital limits remained highly utilised at ~93% during the past 12 months ended June, 2020. Further, the non-fund based limits of the company also remained highly utilised at 94%.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Construction Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity – Stretched**

AILL has an adequate current ratio of 1.27x as on March 31,2020 (Prov) and generated cash accrual of Rs 20.76 crore against the repayment of Rs 6.07 crore. Further the liquidity position of the company remained stressed mainly due to high amount of old debtors of previous years and increase in scale of operations while the working capital limits remain the same. Further a significant part of its working capital remains blocked in earnest money deposits and retention money. The company mainly depends on bank borrowings to fund its working capital requirements. Accordingly, its fund-based working capital limits remained highly utilised at ~93% during the past 12 months ended June, 2020. Further, the non-fund based limits of the company also remained highly fully utilised at 94%. However, the company is expected to generate sufficient cushion in accruals vis-à-vis its repayment obligations in FY20 and FY21 which imparts comfort.

### **About the Company**

New Delhi based Akashganga Infraventures India Ltd. (Erstwhile RV Akash Ganga Infrastructure Ltd., name changed in July 2017) or AILL was incorporated in 17<sup>th</sup> June 2005 by Mr. Manoj Bansal. The company is engaged into infrastructure and civil construction related works for various government and private clients. AILL has its expertise in the field of piling, diaphragm-wall, well sinking and other structural works. It's also supplies ready mix concrete and construction equipment on lease basis.



## Press Release

The operations of the company are majorly handled by Mr. Manoj Bansal (Managing Director) having an experience of around two decades in the construction sector. The directors are supported by a team of experienced and qualified professional

### Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisionals
Total Operating Income	114.04	157.66
EBITDA	17.65	25.70
PAT	1.55	3.80
Total Debt	44.37	41.25
Tangible Net worth	51.70	55.51
^Adjusted Net Worth	42.96	46.77
EBITDA Margin (%)	15.47	16.30
PAT Margin (%)	1.34	2.40
Overall Gearing Ratio (x)	1.03	0.88

*^Investment in associate company is taken into consideration while calculating Adjusted net worth.*

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** Issuer not cooperating by IND vide press release dated Jan 15, 2020 due to non-availability of information.

**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 Limits – Term Loan	Long Term	1.60	IVR BBB-/Credit watch with developing implications	-	-	-



## Press Release

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
2.	Long Term Fund Based Limits – Cash Credit	Long Term	16.25	IVR BBB-/Credit watch with developing implications	-	-	-
3.	Short Term Non Fund Based Limits – Bank Guarantee	Short Term	25.00	IVR A3	-	-	-

**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](http://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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## Press Release

recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### 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 Bank Facility-Term Loan	-	-	July 2022	1.60	IVR BBB-/Credit watch with developing implications
Long Term Bank Facility-Cash Credit	-	-	-	16.25	IVR BBB-/Credit watch with developing implications
Short Term Bank Facilities – Bank Guarantee	-	-	-	25.00	IVR A3