

## Press Release

### Agrawal Power Private Limited

February 16, 2021

#### Rating

Instrument / Facility	Amount (Rs. Crore)	Current Rating	Previous Ratings	Rating Action
Long Term-Fund Based Bank Facilities	24.00	IVR BBB- / Under Credit watch with Developing implications  (IVR Triple B Minus with Under Credit watch with Developing implications)	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Revised
Short Term Non-Fund Based Bank Facilities	119.00	IVR A3/ Under Credit watch with Developing implications  (IVR A three with Under Credit watch with Developing implications)	IVR A3  (IVR A three)	Revised
<b>Total</b>	<b>143.00 (One Hundred and Forty-Three crore)</b>			

**Details of Facilities are in Annexure 1**

#### Detailed Rationales

The revision of the rating to the bank facilities of Agrawal Power Private Limited is on account of moderation in operating income. The rating derives comfort from its

## Press Release

experienced promoters, satisfactory track record of operation of the company, reputed clientele base with relatively low counter party payment risks, revenue visibility marked by satisfactory order book and comfortable and improving capital structure. The rating strengths are partially offset by its low bargaining power with its clients, decline in operating income primary led by the impact of covid-19, competitive nature of the industry and stretched operating cycle. **The rating is under credit watch with developing implications** on account of fall in operating revenue and challenges arising from the COVID 19 pandemic.

### **Upward Factors**

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation could lead to a positive rating action.

### **Downward Factors**

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action.

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

#### **Key Rating Strengths**

##### **Experienced Promoters**

Mr. Anupam Pandit has a vast experience of over 25 years in the electricity distribution department. He was associated with the Madhya Pradesh Electricity Board (MPEB) till 2010. Mr Sanjeev Agrawal is the renowned businessman of Bhopal and has 11 years of experience in electricity distribution. He also has venture in educational and construction sector. He has bagged certain awards for his contribution to educational sector.

##### **Satisfactory track record of operation**

The company has established a satisfactory track record in execution of electrification projects over the past years. It has executed nearly eight projects in last four years amounting to over Rs.



## Press Release

543.61 crore in Madhya Pradesh, Maharashtra and Chhattisgarh. Further, with its successful track record the company has secured contracts in other states like Chhattisgarh and Maharashtra.

### **Reputed clientele base with relatively low counter party payment risks**

APPL has secured projects under various government electrification schemes (like Rajiv Gandhi Grameen Vidyutikaran Yojana, Deen Dayal Upadhyaya Gram Jyoti Yojana ) which are mostly funded by Asian Development Bank and Rural Electrification Limited. Further, the clientele of the company mainly includes government departments and government companies (like Madhya Pradesh Pashchim Kshetra Vidyut Vitaran Company Ltd, Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited, Chhattisgarh State Power Distribution Company Limited, Maharashtra State Electricity distribution Co Ltd) which indicates low counterparty risk.

### **Revenue visibility marked by satisfactory order book**

As on January 21, 2021, APPL had a total order book of about Rs. 335.38 crore (about 3.4times of its FY20 revenue) which is proposed to be completed in next 12-24 months indicating a near to medium term revenue visibility.

### **Comfortable and improving capital structure**

The company has a comfortable capital structure as on the past three account closing dates. The long-term debt equity ratio and overall gearing remained comfortable at 0.01x and 0.43x as on March 31, 2020 (0.02x and 0.79x in March 31, 2019). Total indebtedness as reflected by TOL/TNW remained comfortable at 0.71x as on March 31, 2020. Further, during FY20, the promoters have converted unsecured loans amounting to Rs.10 crore to subordinated unsecured loans (quasi equity) which will also support the capital structure going forward. Further, the credit risk profile of the company remained comfortable as the company has low repayment obligation of Rs.0.24 crore in FY21 and has no near-term debt raising plans.

### **Key Weaknesses**

**Low bargaining power with its clients**

## Press Release

The company has low bargaining power in terms of pricing and credit terms as most of its clients are government companies and orders are tender driven.

### **Decline in operating income primary led by the impact of covid-19**

APPL has reported decline in operating income from Rs. 143.77 crore in FY19 to Rs. 98.59 crore in FY20. Fall is primarily led by the disruption in operations in last quarter of FY20.

### **Competitive nature of the industry**

The electrical contracting industry is highly crowded with presence of many players with varied statures & capabilities. 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 sustenance and healthy growth of the industry.

### **Stretched operating cycle**

The operating cycle of the company is stretched due to its elongated collection period over the past years. However, the closing receivables of the company also comprise retention money as per the terms of the contract. Further, the clientele of the company are mostly government companies or departments where the bill clearance process is bit slow and tends to happen in the last quarter.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity: Adequate**

The liquidity profile of the company is expected to remain adequate marked by its healthy projected cash accrual of Rs.6.64 crore in FY20 vis -a- vis its debt repayment obligations of Rs.0.34 crore in FY20. Further, the company has also low repayment in FY21 and FY22 and has no debt raising plans in the near term. However, with limited credit from suppliers the company's dependence on bank lines remain high and the average cash credit utilisation of the company

## Press Release

remained at ~83% during the past 12 months ended September, 2019 indicating a moderate liquidity cushion.

### About the Company

Incorporated in 2007, Agrawal Power Private Limited (APPL) is founded by Mr Sanjeev Agrawal and Mr. Anupam Pandit of Bhopal, is engaged in business of turnkey EPC contracts for power sector and manufacturing of Plain Cement Concrete (PCC) poles. APPL has executed various projects in Madhya Pradesh, whereas company has also increased its presence into Chhattisgarh and Maharashtra. APPL mainly executes government projects on contract basis under various government electrification.

### Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	143.77	98.59
EBITDA	12.10	9.60
PAT	5.31	3.71
Total Debt	35.83	21.22
Tangible Net worth	38.40	42.07
EBITDA Margin (%)	8.42	9.74
PAT Margin (%)	3.67	3.73
Overall Gearing Ratio (x)	0.79	0.43

\*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.	Cash credit	Long Term	24.00	IVR BBB- / Under Credit watch with	IVR BBB- / Stable	-	-

## 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
				Developing implications	(December 12, 2019)		
2.	LC/BG	Short Term	119.00	IVR A3 / Under Credit watch with Developing implications	IVR A3 (December 12, 2019)	-	-

**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).

### Name and Contact Details of the Rating Analyst:

Name: Mr. Ravi Malik  
 Tel: (011) 24655636  
 Email: [rmalik@infomerics.com](mailto:rmalik@infomerics.com)

### 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.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities



## Press Release

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 Facilities- Cash Credit	-	-	-	24.00	IVR BBB- / Under Credit watch with Developing implications
Short Term Bank Facilities- LC/BG	-	-	-	119.00	IVR A3/ Under Credit watch with Developing implications