

Press Release

Anil Buildcon India Pvt Ltd

January 17, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action
1.	Long Term / Short Term Facility – Non Fund Based	28.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook) / IVR A3 (IVR A Three)	Assigned
2.	Short Term Facility – Fund Based – Overdraft	0.50	IVR A3 (IVR Single A Three)	Assigned
3.	(Proposed) Short Term Facility – Fund Based	0.10	IVR A3 (IVR Single A Three)	Assigned

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of Anil Buildcon India Private Limited (ABIPL) derives comfort from its experienced board of directors, healthy order book and comfortable liquidity position, established network of suppliers and low counterparty credit risk. However, the rating strengths are partially offset by moderate scale of operations, geographical and segment concentration and project execution risk.

Key Rating Sensitivities

Upward factors:

- Significant improvement in scale of operations.
- Maintaining profitability as projected

Downward factors:

- Sharp changes in leverage
- Elongated working capital cycle,
- Delay in timely payments from government entities

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Board of Directors

ABIPL was founded as a partnership firm in the year 1984 spearheaded by Mr. Anil Kumar Verma who is presently the Chairman and Director of the Organization and having the experience of over 3 decades. Lead by Mr. Anil Kumar Verma who is presently the Chairman of the company; has over 30 years of experience in real estate and infrastructure. The directors are supported by a team of experienced and qualified professionals.

Healthy order book & comfortable liquidity position

As on the August 29, 2019 ABIPL had an unexecuted order book amounting to Rs. 383.57 crore which is substantial when compared to its revenues in FY19 amounting to Rs.84.75 crore. ABIPL's comfortable liquidity position is reflected mainly by its GCA which amounted to Rs.6.79 crore in FY18 which increased to Rs.7.36 crore in FY19.

Established network of suppliers

The company has an established supplier network. Its top five suppliers constitute around 71% of its total raw material purchases indicating a moderately concentrated supplier network. Furthermore, majority of its suppliers are located in close vicinity within the bounds of Chhattisgarh; which helps the company to save on logistics and prevent any supply chain disruptions. The suppliers being in close vicinity is advantageous to the company as it helps in avoiding bottlenecks and creates operational efficiencies.

Low counter-party credit risk

ABIPL's clients include government bodies like Chhattisgarh Road Development Corporation, Chhattisgarh State Industrial Development Corporation, Road Construction Department Jharkhand and state PWDs. The Public Works Department (PWD) functions as the nodal agency for planning, designing, construction and maintenance of government assets like roads, bridges and flyovers. By virtue of being a quasi-government body with an established & long track record, the counter-party risk on PWD and the likelihood of any default is very minimal. However, at times there can be delays in realization of revenues.

Key Rating Weaknesses

Moderate scale of operations, geographical and segment concentration

ABIPL has a moderate scale of operations as it has reported a revenue of Rs.72.02 crore in FY18 & Rs.84.75 crore in FY19. The company pre-dominantly operates in the states of Chhattisgarh, Madhya Pradesh and Jharkhand.

Project execution risk

The value of a project is measured by the ability of the entity to complete any project in a timely manner and in compliance of all committed specifications. Any delays in project execution can have a negative impact on projected cash flows, which can lead to constrained liquidity. The project costs are dependent on a variety of variables such as the nature of the terrain, environmental clearances and other externalities. Road construction companies also face challenges relating to shortage of labour, equipment and availability of key raw materials on time. Weather, labour problems and difficulty in terrain may lead to construction delays and cost escalations.

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.

Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost. However, presences of escalation clause in most of the contracts protect the margin to an extent.

Analytical Approach & Applicable Criteria:

Standalone Approach

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The current ratio and quick ratio remained comfortable at 1.72 and 1.23 respectively as on March 31, 2019. The company cash flow from operation also remains adequate. The liquidity of the company expected to remain **Adequate** in the near to medium term in view of sufficient cash accruals in comparison to debt repayment. It had a cash & cash equivalents balance of Rs. 2.34 crore (FY18: Rs. 3.76 crore) as on 31 March 2019.

About the Company

Anil Buildcon India Private Limited (ABIPL) was incorporated in 1984 as a partnership firm named Anil Construction Company. In 2011, it was incorporated as a private limited company under the current name. The company has its office in Haldibadi, Chhattisgarh. The company is primarily engaged in civil construction and over the years executed various government contracts for construction and resurfacing of roads, widening/repairs, minor bridges etc. The company has successfully registered as a Class A contractor with the PWD as per certificate dated 04/10/19, which allows them to participate in all tenders for five years from the date of issue of the certificate.

Financials:

For the year ended/ As On	31-03-2018	31-03-2019
	(Audited)	(Audited)
Total Operating Income	72.91	85.68
EBITDA	9.18	10.42
PAT	2.63	3.25
Total Debt	20.68	20.07
Tangible Net-worth	25.37	28.41
<u>Ratios</u>		
EBITDA Margin (%)	12.59	12.16
PAT Margin (%)	3.60	3.79
Overall Gearing Ratio (x)	0.81	0.71

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term / Short Term Facility – Non Fund Based	Long/ Short Term	28.00	IVR BBB-/ Stable Outlook / IVR A3	--	--	--
2.	Short Term Facility – Fund Based – Overdraft	Short Term	0.50	IVR A3	--	--	--
3.	(Proposed) Short Term Facility – Fund Based	Short Term	0.10	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.

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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. 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 / Short Term Facility – Non Fund Based	NA	NA	Less than 18 months	28.00	IVR BBB- / Stable Outlook / IVR A3
Short Term Facility – Fund Based – Overdraft	NA	NA	Revolving	0.50	IVR A3
(Proposed) Short Term Facility – Fund Based	NA	NA	-	0.10	IVR A3