Ananya Engineering Private Limited (AEPL)

October 26, 2023

Ratings

Sl. No	Instrument/Facility	Amount (INR. Crore)	Current Ratings	Rating Action	Complexity Indicators
1	Long Term Fund Based Bank Facilities	23.20 (Enhanced from 13.00)	IVR BB-/ Positive outlook (IVR Double B Minus with Positive outlook)	Revised and removed from ISSUER NOT COOPERATING category.	Simple
2	Short Term Non-Fund Based Bank Facilities	2.82 (Reduced from 7.00)	IVR A4 (IVR A Four)	Reaffirmed and removed from ISSUER NOT COOPERATING category.	Simple
	Total	**26.02 (Rupees Twenty-Six Crore and Two lakh only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics had migrated the Rating assigned to the bank facilities of Ananya Engineering Private Limited (AEPL) to the 'ISSUER NOT COOPERATING' category vide Press Release dated August 12, 2022, because of lack of adequate information for monitoring the Issuer Rating. Subsequently, the company has provided the requisite information. Based on this, Infomerics has removed the Rating from the 'ISSUER NOT COOPERATING' category.

The revision of rating assigned to the bank facilities of Ananya Engineering Private Limited (AEPL) continues to derive strength from Experienced promoters and a Qualified management team, Progress and Expansion in Railway line solution, Moderate order book position and proven project execution capability reflecting satisfactory medium-term revenue visibility, as well as Moderate revenue & Improved EBITDA margin, along with a reputed clientele.

The ratings are, however, constrained by its Weak capital structure with moderate debt protection metrics and High Inventory Period with Elongated operating cycle. The ratings also factor in AEPL's exposure to Highly fragmented & competitive nature of the construction sector, as well as the Vulnerability of profitability to raw material price fluctuations.

The Positive Outlook factors the company's order book of Rs 424.55 crore. And in H1FY24 results, the company demonstrated a strong financial performance compared to H1FY23.

Key Rating Sensitivities:

Upward rating factor(s):

- Substantial & sustained improvement in the Company's revenue and profitability.

Downward rating factor(s)

- Any decline in the scale of operation and profitability leading to deterioration of debt protection metrics.

Key Rating Drivers with detailed description

Key Rating Strengths

- **Experienced promoters & Qualified management team**

The Managing Director, Gagan Kumar Gupta, is a first- generation entrepreneur having more than two decades' experience in the construction sector and his wife Mrs. Raj Gupta take participate actively in day-to-day business of the company. The other directors of the company also have ample experience in the construction sector. The second generation his son Abhaas Gupta also started to take participate actively in day-to-day business of the company.

- **Progress and Expansion in Railway line solution:**

The company specializes in railway operations, with a primary focus on the construction of railway lines. They have expanded their expertise to encompass complete railway projects, where they are responsible for all aspects of railway line development. This includes tasks such as overhead line construction and SMT installation. Additionally, they oversee residential quarters, station building and quarters improvements, the construction of road overbridges and foot overbridges, overhead tanks, and various other related activities.

- **Moderate order book position and proven project execution capability reflecting satisfactory medium-term revenue visibility.**

Over the past years, the entity has successfully completed many projects in Madhya Pradesh and Rajasthan ensured timely completion of its projects which includes 3rd Railway Line Budhni-Itarsi Project (2016), 3rd Railway Line Misrod-Mandideep Project, Gauge Conversion Ujjain-Fatehabad Railway line, 3rd Broad Gauge line Between Ganjbasoda to Sanchi, New Broad-Gauge line between Rau-Sagor Stations Indore etc. The company's completed order book reflects its strong performance and expertise in the railway track sector, demonstrating a consistent track record of delivering projects on schedule. This experience instills confidence that the company will successfully execute its ongoing projects. At present their year workbook orders received for railways reached upto Rs 424.55 Crores.

- **Moderate revenue & Improved EBITDA margin**

The overall operating income in FY23 stood at INR.43.50 Crore as compared to INR.49.31 Crore in FY22. Overall, the company has established a good presence in the regions it operates, given the promoters' strong relationships established which leads to driven by increase in flow of work orders and timely execution of the same. The total operating income of the company registered a decline of 11.38% in FY23. Despite these challenges, the company has continued to secure substantial orders. The ongoing projects work is proceeding smoothly, which reflects a positive outlook. The company has earned an EBITDA margin of 14.19% in FY23 against 9.98% in FY22, where the EBITDA margin has improved.

- **Reputed clientele**

AEPL has reputed clientele base of various government departments/entities and also caters to private players. Over the years of its operations, the company has established a strong business relationship with various government departments as well as private clients. AEPL has worked on various civil projects for government and Private entities like, Kalpataru Power Transmission Ltd, Rail Vikas Nigam Limited, KEC International Limited, TATA Projects etc.

Key Rating Weaknesses

- **Weak capital structure with moderate debt protection metrics**

AEPL capital structure remained moderate as on March 31, 2023, marked by overall gearing at 3.30x as on March 31,2023 against 2.36x as on March 31,2022. The total indebtedness of the company as reflected by TOL/ANW increased from 4.11x as on March 31, 2022, to 4.89x as on March 31, 2023. The interest coverage ratio and DSCR have been moderate over the last three years and stood at 2.22x and 1.05x respectively in FY23.

- **Highly fragmented & competitive nature of the construction sector**

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

- **Vulnerability of profitability to raw material price fluctuations**

The company's profit margins are vulnerable to fluctuations in the prices of key raw materials like cement, steel, and other raw materials.

- **High Inventory Period with Elongated operating cycle.**

Operating Cycle Increased to 200 days as on 31 Mar 2023 from 140 days as on 31 Mar 2022, however it remains elongated. The prolonged inventory holding period, caused by large-scale projects, is a result of reserving construction materials. These projects follow extended schedules with billing occurring four to five months later, leading to significant tied-up capital, usually ranging from 20 to 30 crore. This situation is common in the railway sector. In the procurement phase, the company places orders for materials with a variety of suppliers, both local and external. Once the materials are received, payments made, and inventory records updated, the materials undergo a thorough inspection by RDSO, a notably time-consuming process. After RDSO's approval, the company proceeds with project initiation, commencing the installation of materials, and once the project is successfully completed, the billing process commences. Overall, this sequence extends the inventory holding period to approximately five to six months.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies]

[Financial Ratios & Interpretation (Non-Financial Sector)]

[Criteria of assigning Rating Outlook]

Liquidity: Stretched

The company is earning moderate levels of GCA and the same is expected to increase with increased income levels and profitability. Company has current ratio of 1.27x as on 31 March 2023. Additionally, the company has cash and cash equivalents of INR 0.23 Crore as on 31st March 2023. The average working capital utilization of the company remained at ~95% for the past 12 months period ended August 2023. However, Operating Cycle has remained elongated to 200 days in FY23 when compared to 140 days in FY22.

About the Company

Ananya Engineering Private Limited was incorporated in 2009 and is promoted by Mr. Gagan Kumar Gupta with more than two decades of experience in this industry and Aabhas Gupta is his son and he manage day to day operations of Ananya Engineering Pvt Ltd and Raj Gupta is a son in law of Gagan Gupta. AEPL undertakes construction and maintenance of railway tracks, bridges, platforms, buildings, roads, piling, tunnels, ports, runways etc. AEPL's work includes building of complete constructions or parts thereof, civil engineering.

The company exclusively deals in railway works, specifically focusing on railway line construction which includes activities like overhead line construction and SMT installation. They also manage residential quarters, station building and quarters enhancements, construction of road overbridges and foot overbridges, overhead tanks, and various other related tasks.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	**Audited**
Total Operating Income	49.31	43.50
EBITDA	4.92	6.17
PAT	1.54	1.44
Total Debt	21.45	33.58
Tangible Net worth	8.03	9.42
Ratios		
EBITDA Margin (%)	9.98	14.19
PAT Margin (%)	3.12	3.29
Overall Gearing Ratio (x)	2.36	3.30

*Classification as per Infomerics' standard

Status of non-cooperation with previous CRA: CARE rating has moved the rating of AEPL into the ISSUER NOT COOPERATING vide PR dated September 06 ,2023 on account of non-availability of information and lack of cooperation from the client.

Brickwork rating has continued to classify the rating of AEPL into the ISSUER NOT COOPERATING vide PR dated January 11, 2023, on account of non-availability of information and lack of cooperation from the client.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (August 12, 2022)	Date(s) & Rating(s) assigned in 2021-22 (June 04, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based Bank Facilities – Cash Credit	Long Term	15.00	IVR BB-/ Positive	IVR B+; ISSUER NOT COOPERATING*	IVR BB-/ Stable	-
2.	Fund Based Bank Facilities – Term Loan	Long Term	8.20	IVR BB-/ Positive	-	-	-
3.	Non-Fund Based Facility - Bank Guarantee	Short Term	2.32	IVR A4	IVR A4; ISSUER NOT COOPERATING	IVR A4	
4.	Non-Fund Based Facility - Letter of Credit	Short Term	0.50	IVR A4	-	-	-
5.	Fund Based Bank Facilities – ECLGS (Emergency Credit Line Guarantee scheme)	Long Term	- (Previously 2.60)	Not Applicable*	IVR B+; ISSUER NOT COOPERATING	IVR BB-/ Stable	-
6.	Fund Based Bank Facilities – Proposed Cash Credit	Long Term	- (Previously 0.90	Not Applicable*	IVR B+; ISSUER NOT COOPERATING*	IVR BB-/ Stable	-
5.	Non-Fund Based Facility - Proposed Bank Guarantee	Short Term	- (Previously 4.48)	Not Applicable*	IVR A4; ISSUER NOT COOPERATING*	IVR A4	-

**As Rating Stands Withdrawn.*

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Fund Based Bank Facilities – Cash Credit	-	-	Revolving	15.00	IVR BB-/ Positive
Fund Based Bank Facilities – Term Loan	-	-	2027	8.20	IVR BB-/ Positive
Non-Fund Based Facility - Bank Guarantee	-	-	Revolving	2.32	IVR A4
Non-Fund Based Facility – Letter of Credit	-	-	Revolving	0.50	IVR A4

**Issuer did not cooperate; based on best available information*

Annexure 2: List of companies considered for consolidated analysis: Not applicable.

Annexure 3: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Aananya-oct23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument / facilities: Not applicable

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.