



Press Release

Agrawal Infrabuild Private Limited

September 20, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	44.45 (reduced from Rs. 46.72 crore)	IVR BBB+/ Stable (IVR triple B plus with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	130.00	IVR A2 (IVR A two)	Reaffirmed	Simple
Total	174.45 (INR One hundred seventy four and forty five lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Agrawal Infrabuild Private Limited (AIPL) derives strength from experienced promoters, reputed client base which reduces counterparty risk to a large extent, healthy order book position which provides adequate revenue visibility, steady increase in topline and profits, conservative capital structure and comfortable coverage indicators and Government's thrust on infrastructure. However, these rating strengths are constrained on account of project execution risk, expected exposure to group entity in the form of corporate guarantees, exposure to client concentration risk and a highly competitive industry because of the fragmented and tender-driven nature of business.

Key Rating Sensitivities:

Upward factors

- Growth in scale of operations with improvement in profitability and gross cash accrual on a sustained basis



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- Timely and proper execution of existing order book and diversification in regional presence.

Downward factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any liability which might arise out of the expected corporate guarantee to be extended to the group company.
- Any delay in the execution of the order book, leading to the elongation of the working capital cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The company was incorporated by the Bilaspur-based Agrawal family. The promoters have a long experience and have an established track record in the civil construction business. The company's day-to-day operations are looked after by Mr. Ramawatar Agrawal, along with a team of experienced professionals.

- **Reputed client base reduces counterparty risk to a large extent**

The company primarily works for Government agencies and have completed contracts for NHAI, Chhattisgarh Road Development Corp. Ltd., Bilaspur Municipal Corp. etc. in the past. It is a Class I contractor with the PWD department of Chhattisgarh. Since the client base of the company is majorly Government departments, the counterparty risk remains low.

- **Healthy order book position provides adequate revenue visibility**

As of July 31, 2023, the company had unexecuted order book of Rs. 1082.73 crore which will be executed over the next 18-20 months. The current unexecuted order book is 2.52 times FY23 revenues, which provides adequate revenue visibility in the near to medium term. Infomerics notes that the company's ability for successful execution of the current healthy order book in due time will remain a key rating factor, going ahead.



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- **Steady increase in the topline and profits**

The scale of operations of the company witnessed an increasing trend as the total operating income of the company increased at ~36% on a year on year basis to Rs.430.49 crore in FY23, as compared to Rs.315.65 crore in FY22 due to higher orders executed during the period. The company's TOI increased 18% y-o-y in 3MFY24 to Rs. 106.48 crore. Led by an increase in topline EBITDA and PAT increased 21% and 36% year over year to Rs. 18.15 and Rs. 10.80 crore, respectively. Led by an increase in topline, the company's EBITDA and PAT also witnessed an increase year over year. EBITDA was Rs. 60.63 crore in FY23 up ~23% y-o-y and PAT was Rs. 31.86 crore up 43.56% y-o-y.

- **Conservative capital structure and comfortable coverage indicators**

The total debt of the company stood at Rs. 42.23 crore as on March 31, 2023 down from Rs. 44.89 crore as on March 31, 2022. The company total debt consisted of Rs.41.14 crore of term loan and Rs. 1.09 crore of unsecured loans. The company's networth was Rs. 144.02 crore as on March 31, 2023, up from Rs. 112.14 crore as on March 31, 2022 due to accretion of profit to reserves. The capital structure of the company stood comfortable marked by gearing of 0.29x as on March 31, 2023 which improved from 0.40x as on March 31, 2022. Debt to equity ratio was low at 0.29 times as on March 31, 2023 (0.27 times as on March 31, 2022) due to increase in networth of the company. TOL/TNW was 0.59 times on March 31, 2023 (0.63 times as on March 31, 2022).

- **Government's thrust on infrastructure**

The infrastructure sector has seen some major developments, investments and support from the government in the recent past. In Union Budget 2022-23, the government has given a massive push to the infrastructure sector by allocating Rs. 10 lakh crore to enhance the infrastructure sector. AIPL with more than fifteen years of experience in executing projects in civil infrastructure development is likely to be benefitted in near to medium term.

Key Rating Weaknesses

- **Project execution risk**

The company has formed a special purpose vehicle named Agrawal Infrabuild Express Private Limited (AIEPL), in order to execute a HAM project of Rs. 760 crore which has been awarded



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by NHAI. AIPL holds 100% ownership in AIEPL. The project has been subcontracted to AIPL. The project will be financed by way of Equity of Rs. 84.96 crore, grant from NHAI of Rs. 335.59 crore and term loan of ~Rs. 340 crore. The equity will be extended to AIEPL by AIPL in the form of unsecured loans. Out of the total Rs. 84.96 of investment that has to be made in AIEPL, AIPL has already extended unsecured loans of Rs. 47.97 crore. However, the financial closure of the project is yet to be achieved, which exposes the company to funding risk. The expected COD of the project is October 2025, and the annuity is expected to commence from April 2026, which will match the repayment of term loan which is also expected to start from April 2026. Since the project is in nascent stages, timely and successful completion of the project will be a key rating factor.

- **Expected exposure to group entity in the form of corporate guarantees**

The company is expected to extend Corporate Guarantees of Rs. 339.85 crore in favour of term loan related to the HAM project which will be carried out by its wholly owned SPV named AIEPL. Any crystallisation of such liability may impact the company's liquidity profile.

- **Exposed to client concentration risk**

The company's order book consists of three orders all of which are from NHAI, which also exposes the company to client concentration risk. However, since NHAI is a government agency the counterparty credit risk is mitigated to some extent.

- **Highly competitive industry because of the fragmented and tender-driven nature of business**

The company undertakes civil works and is specialized in road construction. As the entry barriers in the sector are low there are multiple players present thereby exposing the company to intense competition. Additionally, the contracts are acquired through tendering process which exposes the company to intense competition and mutes the bargaining power.

Analytical Approach: Standalone

Applicable Criteria:



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[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning Rating outlook](#)

Liquidity - Strong

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY24-FY26. The average fund based utilisation for the past twelve months ended June, 2023 low at 16% indicating a strong cushion. Absence of any debt funded capex provides further comfort to the liquidity position. Moreover, the company has cash balance of Rs. 9.48 crore as on March 31, 2023.

About the Company

Located out of Bilaspur, and promoted by Agarwal family, AIPL undertakes civil works, particularly road construction. It has executed road construction and maintenance projects for various state government departments and schemes such as the Public Works Department, Pradhan Mantri Gram Sadak Yojana and for the National Highway Authority of India in Chhattisgarh. The company clients are mainly Government agencies like National Highways, PWD, etc. AIPL is also a sponsor of an SPV named M/s Agrawal Infrabuild Expressway Private Limited (AIEPL) which is a special purpose vehicle company to undertake Widening and strengthening of NH-5A. AIPL holds 100% ownership in AIEPL.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	315.65	430.49
EBITDA	49.15	60.63
PAT	22.20	31.86
Total Debt	44.89	42.23
Tangible Net worth	112.14	144.02
EBITDA Margin (%)	15.57	14.08
PAT Margin (%)	7.02	7.39



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For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Overall Gearing Ratio (x)	0.40	0.29

*As per Infomerics' Standards

Status of non-cooperation with previous CRA: Crisil Ratings continued to keep the rating of AIPL in the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated February 10, 2023.

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (November 3, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loans	Long Term	4.45	IVR BBB+/ Stable	IVR BBB+/ Stable	-	-
2.	Cash Credit	Long Term	40.00	IVR BBB+/ Stable	IVR BBB+/ Stable	-	-
3.	Bank Guarantee	Short Term	130.00	IVR A2	IVR A2	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Sandeep Khaitan

Tel: (033) 46022266

Email: sandeep.khaitan@infomerics.com

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



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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
GECL 1	-	-	September 2024	1.67	IVR BBB+/ Stable
GECL 2	-	-	October 2026	2.78	IVR BBB+/ Stable
Cash Credit	-	-	-	40.00	IVR BBB+/ Stable
Bank Guarantee	-	-	-	140.00	IVR A2

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-AIPL-sep23.pdf>

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



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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

