



Press Release

Agrawal Infrabuild Private Limited

November 3, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	46.72	IVR BBB+/ Stable (IVR triple B plus with Stable outlook)	Assigned	Simple
Short Term Bank Facility	130.00	IVR A2 (IVR A two)	Assigned	Simple
Total	176.72 (INR One hundred seventy six crore and seventy two lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

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, the ratings are constrained on account of client concentration risk, exposure to geographical 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
- Timely and proper execution of existing order book and diversification in regional presence

Downward Factors

- Dip in operating income and/or profitability impacting the debt protection metrics
- Any significant increase in the working capital requirements of the company and/ or debt funded capital expenditure exerting pressure on the liquidity position of the company



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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 on September 15, 2022, the company had unexecuted order book of Rs. 838.35 crore which will be executed over the next 14 months. The current unexecuted order book is 2.66 times FY22 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.

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

The scale of operations at AIPL have witnessed an increasing trend over the past two years. TOI increased at ~47% on a year on year basis to Rs.315.65 crore in FY22, as compared to Rs.213.60 crore in FY21 due to higher orders executed during the period. Led by an increase in topline, EBITDA and PAT increased 36% and 85% y-o-y in FY22 to Rs. 49.15 crore and Rs. 22.20 crore, respectively. Gross cash accruals improved to Rs. 34.42 crore in FY22, compared with Rs. 25.40 crore in FY21. In H1FY2023, the company has registered a topline and EBDITA of Rs. 192.46 crore and Rs.22.23 crore, respectively, registering an y-o-y improvement of 73% and 48%, respectively. A sustained increase in topline and profits will be a key rating factor going forward.



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

The total debt of the company stood at Rs. 44.89 crore and networth of Rs. 112.14 crore as on March 31, 2022, compared with total debt of Rs. 54.26 crore and networth of Rs. 89.99 crore as on March 31, 2021. Total debt declined as on March 31, 2022, due to lower working capital borrowing and schedule repayment of term debt and increase in profit led to accretion in networth. The capital structure of the company is conservative with long term debt equity ratio was low at 0.27x, overall gearing ratio was 0.40x and TOL/TNW was 0.63x as on March 31, 2022, compared with long term debt equity ratio of 0.34x, overall gearing ratio of 0.60x and TOL/TNW was 1.09x as on March 31, 2021. The debt protection parameters were comfortable due to increase in profit in FY22 coupled with a decline in debt. In FY22, interest coverage ratio was 8.54x (5.22x in FY21), total debt to GCA was 1.30x (2.14x in FY21) and DSCR was 2.35x (3.57x in FY21).

- **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

- **Client concentration risk**

The current order book of the company is Rs. 838.35 crore out of which 81% relates to NH 42 four laning project of NHAI. This exposes the company to client concentration risks. Any delay/cancellation of the projects is expected to have a strong impact on the income and profitability of the company going forward.

- **Exposure to geographical concentration risk**

The company is primarily actively working on projects in the state of Odisha and Chattishgarh and thus is exposed to high geographical concentration risk.



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- **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:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The liquidity position 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 FY23-FY25. The average fund based utilisation for the past twelve months ended August, 2022 remained low at ~49% indicating a sufficient cushion. Further, absence of any debt funded capex provides further comfort to the liquidity position.

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



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Financials (Standalone):

For the year ended* / As on	(Rs. Crore)	
	31-March-21 (Audited)	31-March-22 (Audited)
Total Operating Income	213.60	315.65
EBITDA	36.12	49.15
PAT	11.98	22.20
Total Debt	54.26	44.89
Tangible Net-worth	89.99	112.14
EBITDA Margin (%)	16.91	15.57
PAT Margin (%)	5.58	7.02
Overall Gearing Ratio (x)	0.60	0.40

*Classification 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 December 6, 2021.

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	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	6.72	IVR BBB+/Stable	-	-	-
2.	Cash Credit	Long Term	40.00	IVR BBB+/Stable	-	-	-
3.	Bank Guarantee	Short Term	130.00	IVR A2	-	-	-



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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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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	-	-	FY25	3.92	IVR BBB+/ Stable
GECL 2	-	-	FY27	2.80	IVR BBB+/ Stable
Cash Credit	-	-	-	40.00	IVR BBB+/ Stable
Bank Guarantee	-	-	-	130.00	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-Agrawal-Infrabuild-nov22.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