



P.D. Agrawal Infrastructure Limited

RATING HISTORY

	Rating Outstanding	Previous Ratings
	February 2010	
Rs. 495 million Term Loans	LBBB-	-
Rs. 5 million Fund Based Limits	LBBB-	-
Rs. 175 Million Non Fund Based Limits	LBBB-	-

ICRA has assigned a rating of LBBB- (pronounced as L Triple B minus) to the Rs. 500 million fund based facilities which includes Rs. 495 million of term loans and Rs. 175 million non fund based facilities of P.D. Agrawal Infrastructure Limited†. The rating carries stable outlook.

The rating takes into account established track record of promoters in construction industry with experience of more than 30 years, healthy profit margins of the company over the last 4 years with operating margins of around 20% in FY09, positive outlook for road projects given the large investments planned by Gol in the near to medium term and comfortable liquidity position of the company with positive cash flows from operations and moderate gearing levels. However, the rating is constrained by the moderate size of operations- which leads to moderate economies of scale-, geographical concentration risk with majority of the projects concentrated in Madhya Pradesh and a deterioration in credit profile of the company since FY 06 as a result of its investment into two BOT projects in Punjab and relatively high sectoral concentration risk due to majority of the orders in road construction. Also, the company has in the past executed mainly low to medium value jobs and thus execution capabilities in bigger and

† For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications

higher complexity jobs remain to be proven.

PDAIL is engaged primarily in carrying out subcontracting works for the road projects and bridges works for Madhya Pradesh Government Agencies. The company is registered as an A-V class Govt. contractor in MPPWD, MP Water Resources Department, Narmada Valley Development Authority, Indore Development Authority and Indore Municipal Corporation. It is a 100% promoter driven company with Mr. PD Agrawal owning 56.5%, 23% being owned by the group company PD Agrawal Construction Pvt. Ltd and the rest by friends and relatives.

The company currently has an order book of around Rs. 1096 million which includes road works like widening of roads, asphaltting work, construction of cement concrete roads and bridges works like construction of road over bridge (ROB) and submersible bridges. The company has around 70% of the orders in road works and 30% in bridges works which exposes the company to relatively high sectoral concentration risk. Moreover, as most of the ongoing works are based in Madhya Pradesh, it is also exposed to high geographical concentration risk. PDAIL has executed two BOT projects in Punjab during the last 2 years, as the toll collections are up and running, execution risks are nil, however, traffic risks remain moderate. Out of the two projects, Moga Kotkapura Projects toll collections have been adequate resulting in net profits since

the commencement of operations, however, in the other project Hoshiarpur Tanda, toll collections have been inadequate so far due to presence of alternate routes in the vicinity which has resulted in traffic diversions and consequently, financial indicators of Hoshiarpur Tanda have been poor.

The financial performance of the company has been consistent with its operating income growing from Rs 288.1 million in FY 2007 to Rs 696.9 million in FY 2009 at a CAGR of 34.2%. The operating margins have shown an upward trend over the years increasing to 20.42% in FY09, the reason for healthy operating margins are accessibility to cheaper supply of raw materials and efficient utilization of existing plant and machinery. The net margins which were showing upward trend till FY06 witnessed a decline because of debt funded investment in BOT Projects in FY07 which resulted in higher depreciation and interest costs. PDAIL's investment into the BOT projects has resulted in weakening of debt coverage indicators with interest coverage declining from 10.2 in FY06 to 3.0 in FY09 and NCA/Debt declining from 93% in FY06 to 21% in FY09 although they have shown improvement in the last 2 years with lowering of debt. Gearing of the company is moderate at 0.7 times and likely to come down further with debt repayments going forward.

Going forward, Company is expected to derive benefit out of the positive outlook of the Construction Sector with significant capex planned by



Madhya Pradesh Government; however, with increasing competition as a result of higher demand expected in the short to medium term, company may face competitive pressures on margins. Gearing is likely to come down in the coming years with debt repayments going forward and limited capex planned in the future, while interest coverage indicators and debt coverage indicators are likely to remain steady.

Beginning in 1970s' as a partnership under the name PD Agrawal, PDAIL was converted to a public limited company in 2001 and is primarily engaged in carrying out infrastructure related activities. It is a 100% promoter driven company with Mr. PD Agrawal owning 56.5%, 23% being owned by the group company PD Agrawal Construction Pvt. Ltd and the rest by friends and relatives. Engaged primarily in carrying out subcontract work for the road projects

and bridges works for Madhya Pradesh Government Agencies, the company is registered as A-V class Govt. contractor in MPPWD, MP Water Resources Department, Narmada Valley Development Authority, Indore Development Authority and Indore Municipal Corporation.

March 2010

Company Profile

Key financial Indicators

	FY09	FY08	FY07	FY06
	Audited	Audited	Audited	Audited
Net Sales	681.58	316.00	177.02	288.10
Operating Income (OI)	696.85	319.90	182.30	291.46
Operating Profit before depreciation interest and tax (OPBDIT)	142.30	59.96	25.98	39.97
Profit After Tax (PAT)	27.68	13.55	11.38	23.39
Equity Capital	59.95	57.93	54.40	46.00
Net Worth	597.57	564.94	346.73	119.65
OPBDIT/OI	20.4%	18.7%	14.3%	13.7%
PAT/OI	4.0%	4.2%	6.2%	8.0%
Profit before Interest and tax/ Avg.(Total Debt + Total Networth+ Deferred Tax Liability-Capital Work In Progress)	7.3%	5.0%	5.8%	18.71%
OPBDIT/Interest & finance charges	3.0	2.8	6.9	10.2
Net Cash Accruals/Total Debt	21.5%	6.9%	6.4%	93%
Total Debt/Total Networth	0.72	0.85	0.76	0.34
Net Working Capital/OI	11.0%	19.3%	-1.2%	5.4%

Amount in INR Million



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