AGI Infra Limited

January 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	40.00	CARE BBB+; Stable	Assigned
Fixed Deposit	60.00	CARE BBB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of AGI Infra Limited (AGI) derives strength from experienced promoters with long track record of operations in the real estate sector, regulatory approvals in place for the ongoing projects, low reliance on debt for the ongoing projects with financial closure already been achieved, satisfactory sales velocity resulting in moderate inventory hangover period and comfortable capital structure with satisfactory cash coverage ratio. CARE takes note of the company's plan to avail unsecured fixed deposits of Rs.60 crore by Q2FY25 having maturity ranging between one and three years for funding upcoming projects.

The rating, is however; constrained by moderate saleability risk with high reliance on customer advances, risk of geographical concentration, regulatory risks and susceptibility of the real estate market to economic cycles.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Timely and successful completion of the on-going projects and achievement of collection above Rs.350 crore in the next 12 months.
- Inventory hangover (no of months required to sell unsold inventory given trailing 12 months average sales trend) to remain at or below 18 months on continued basis.

Negative factors

- Substantial delay in collection of committed receivables leading to further availment of debt.
- Significant time and cost overrun leading to reduction in profitability of the project.

Analytical approach: Standalone

Outlook: Stable

The outlook is expected to remain stable given satisfactory sales velocity and collection levels coupled with low reliance on debt.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters with long track record of operations in the real estate sector

The promoters of the company have been engaged in developing residential and commercial projects for around two decades and have developed around 55 lsf of real estate space over the years. The company has a strong developmental track record and brand recall in the Jalandhar real estate markets since 2005. The developer has undertaken projects mainly in the residential segment and only a few projects in the commercial segments.

Regulatory approvals in place for the on-going projects

Land has already been acquired and building permit has been obtained for all the on-going projects. The company has received all the approvals from the appropriate authority(s) which includes height clearance, water, electricity, fire & emergency, environmental clearance etc. All projects have been registered under Punjab Real Estate Regulation Act. Out of seven ongoing projects, all approvals are in place for six of the ongoing projects, however; in case of Jalandhar Heights-2 Extension which was launched in 2019 and the construction of the same was initially to be completed by December 2021 as per RERA. The completion date was extended automatically by six months upto June 30, 2022 in view of Covid-19. Post which, the company had applied for extension of another 1 year till June 2023 which was approved. However, the project couldn't be completed by June 2023 and on the expiry of the extended timeline, the company has again applied for further extension till January 2024, however; the approval of same is yet to be received. The project is currently in advanced stage of completion with 85% of the total project cost incurred till September 2023. As enunciated by the management, the construction is expected to be completed by January 2024.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Low reliance on debt for the ongoing projects with financial closure already been achieved

AGI is currently developing seven projects at a total project cost of Rs 1192.19 crore. The project cost is proposed to be funded through debt of around Rs 87 crore (accounting for only 7% of the project cost), promoter contribution of Rs 136.71 crore (accounting for 11% of total project cost) and remaining Rs 968.34 crore through customer advances (accounting for 81% of total project cost). As on September 30, 2023; four of its projects (viz Jalandhar Heights-2 extension launched in 2019, Jalandhar Heigyts-3, AGI Smart Homes-II and AGI Sky Villa launched in 2022) have been financed out of bank funding of Rs.87.14 crore. The company has achieved financial closure for the entire debt portion. Till September 2023, the company has taken disbursement of Rs 23.54 crore for these four projects.

Comfortable capital structure with satisfactory cash coverage ratio

The overall gearing stood comfortable at 0.28x as on March 31, 2023 (0.33x as on March 31, 2022) on the back of low reliance on term debt for funding the projects. Out of 7 ongoing projects, currently; the company has availed debt for only four projects viz Jalandhar Heights 2 Extension, AGI Smart Homes II, AGI Sky Villa and Jalandhar Heights-3 of Rs 26 crore Rs 25 crore, Rs 40 crore and Rs 20 crore respectively. Moreover, debt availed for Jalandhar Heights 2 Extension has been fully repaid in Q3FY24.
The average cash coverage ratio for the entire tenure of the repayment of debt availed for the ongoing projects and upcoming projects where Rs.60 crore FD is proposed to be availed remain satisfactory above 3x.
The company is planning to raise unsecured fixed deposits of Rs 60 crore till September 2024 having tenure between one and three years for funding upcoming projects. As articulated by the management, the fixed deposits would be subscribed by individual investors and 20% of amount will be kept as deposit in banks equivalent to the amount likely to mature within next 12 months.

Key weaknesses

Moderate saleability risk with high reliance on customer advance albeit satisfactory sales velocity resulting in moderate inventory hangover period

Out of total saleable area of 83.91 lakh square feet (lsf), the company has sold around 39.75 lsf till September 30, 2023 (i.e. 47% of the total saleable area) for sale consideration of Rs 762.38 crore. Out of which, the company has received Rs 490.29 crore till September 2023. The committed customer receivable of Rs 272.10 crore cover around 34.28% of the o/s debt of Rs 23.54 crore and pending cost of Rs 770.24 crore as on September 30, 2023.
Around 81% of the project cost, is being financed through customer advances thereby exposing the project to risks/ concerns like liquidity issues, project delays and cost over-runs. However, the company's sales velocity remain satisfactory with around 12 lakh sqft of inventory sold in H1FY24 and 39.75 lakh sqft sold as on Sep 30, 2023; thereby safeguarding the ongoing projects from the concerns highlighted above to some extent. As a result, months to sell the remaining inventory stood moderate at 22 months vis-à-vis balance construction period ranging from 6 months to 39 months.

Regulatory risks

Real estate projects are prone to varying degrees of uncertainty, both at the macro-level, which affects the economy as a whole and at the sector level. The projects are prone to local, state, and national laws and regulations (governing acquisition, construction and development of land, etc.). Failure to comply with such rules and regulations often lead to delays or in the worst case, complete closure of the project; all of which may lead to a complete or partial loss of capital invested.

Susceptibility of the real estate market to economic cycles

Real estate sector is highly susceptible to economic cycles. Health of an economy in terms of GDP, employment data, manufacturing activity, prices of goods, etc. affects the value of real estate in such a way that when economy is sluggish real estate sector is affected in a similar way.

Risk of geographical concentration

Out of the total area being constructed, the majority of area is being constructed in Jalandhar, which exposes the group to risk of geographical concentration. Further, in the last few years, there has been moderate growth in real estate sector of Punjab with large number of local as well as national level real estate players entering with various projects in the city.

Liquidity: Adequate

The liquidity position of the company is adequate with outstanding collections from sold inventory of around Rs.272.10 crore which covers 34.28% of the balance cost to be incurred and outstanding debt as on Sep 30, 2023.
The company's interest and principal repayment obligation stands at around Rs 33 crore in H2FY24 and FY25 which would be paid out of customer advances.

Environment, social, and governance (ESG) risks – Not Applicable

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Rating methodology for Real estate sector

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Realty	Realty	Residential, Commercial Projects

AGI Infra Limited (AGI) was incorporated in May 2005 as G.I. Builders Private Limited jointly promoted by Mr Sukhdev Singh Khinda and Mrs Salwinderjit Kaur. The name of the company was changed to its present one in 2011. AGI is engaged in the construction of residential and commercial real estate projects in the state of Punjab. The company has been listed on Bombay Stock Exchange since 2015 and has delivered around 54.92 lakh square feet (lsf) of residential and commercial real estate space over the last two decades. The company is currently developing 7 residential projects in the city of Jalandhar, Ludhiana and Kapurthala namely 'Jalandhar Heights-2 Extension', 'Urbana', 'Maxima- (M2)', 'Sky Graden Maxima-II', 'Jalandhar Heights- 3' AGI Smart Homes- II and AGI Sky Villa. with a total saleable area of 83.91 lsf at a total project cost of Rs 1192 crore and overall revenue potential of 1799 crore.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	200.11	245.67	70.91
PBILDT	51.69	63.12	20.29
PAT	36.35	47.80	14.49
Overall gearing (times)	0.33	0.28	0.41
Interest coverage (times)	11.08	12.27	15.14

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Brickwork Ratings continues to maintain rating of AGI under 'Issuer Not Cooperating' category vide press release dated August 23, 2023

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fixed Deposit	-	-	-	-*	60.00	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	-	31-03-2028	40.00	CARE BBB+; Stable

*Proposed

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fixed Deposit	LT*	60.00	CARE BBB+; Stable				
2	Fund-based - LT-Term Loan	LT*	40.00	CARE BBB+; Stable				

*LT- Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities- Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fixed Deposit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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