

Angelique International Limited

April 24, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	45.00	CARE BBB+; Stable	Assigned
Long-term / Short-term bank facilities	1,055.00	CARE BBB+; Stable / CARE A2	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Angelique International Limited (AIL), primarily factor in the inflow of new orders worth ₹950 crore in FY24 after the World Bank lifted its debarment in June 2022. As a result, the total order book stands improved to ₹1,448 crore as of December 31, 2023. This enhanced order book translates to a medium-term revenue visibility equivalent to 2.2x the operating income of FY23.

Given the strengthened orderbook, ratings also factor in the expected improvement in the scale of operations which will further improve the overall profitability with better absorption of overhead expenses. Notably, the company has achieved revenue of ₹402 crore for 9MFY24 (refers to April 1 to December 31) with an operating profit margin of 10%. CARE Ratings Limited (CARE Ratings) expects the operating profit margin to remain in the range of 9-10%, considering an anticipated scale-up of operations.

Ratings also factor in the strong capital structure as reflected in overall gearing and total outside liabilities (TOL)/total net worth (TNW) less than unity as of March 31, 2023, and as of December 31, 2023. This apart, total debt/profit before interest, lease, depreciation, and tax (PBILDT) stands improved to 1.42x as of December 31, 2023, from 2.81x as of March 31, 2023. With no major debt-funded capital expenditure (capex) anticipated in the medium term, CARE Ratings expects the capital structure to remain comfortable.

Ratings are underpinned by the extensive experience of AIL's promoters. With a strong track record in executing power transmission projects globally, including in African countries, AIL demonstrates satisfactory project execution capabilities.

However, ratings remain constrained due to modest operating profitability and the working capital-intensive nature of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly scaling up operations while improving PBILDT margins to 12-13% on a sustained basis.
- Timely realisation of sticky receivables leading to improving working capital management on a sustained basis.

Negative factors

- Elongating of collections days, leading to straining of liquidity.
- Declining PBILDT margin below 8% and lower-than-expected cash accrual, leading to a weakening financial risk profile.

Analytical approach: Standalone

CARE Ratings has factored standalone financials of AIL.

Outlook: Stable

The stable outlook reflects the robust order book and expected improvement in the scale of operations and operating profit margins with better absorption of fixed costs.

Detailed description of the key rating drivers:

Key strengths

Robust growth in order book: The company has secured new orders worth about ₹ 950 crore in FY24 after the World Bank lifted its debarment in June 2022. Thereby, the orderbook stands improved at ₹ 1,448 crore as of December 31, 2023, from ₹ 879 crore as of December 31, 2022. The outstanding order book translates to 2.2x of operating income of FY23, providing healthy

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

revenue visibility over the medium term. This apart, the company is having L1 orders worth about ₹1,200 crore as of February 28, 2024, which will aid in augmenting the order book.

The majority of projects in the order book of about 80% are funded by institutions such as EXIM Bank, World Bank, and European Investment Bank, among others, which minimizes the credit risk in the projects. CARE Ratings observes that, given the company's established track record in executing complex projects in the power sector, which require strong technical expertise, project execution risk largely subsides.

Strong capital structure and improved coverage ratios: The company's capital structure is strong as reflected in overall gearing and TOL/TNW less than unity as of March 31, 2023. The overall gearing and TOL/TNW stand less than unity as of December 31, 2023, which reflects there exists financial flexibility to take incremental debt toward operations and for any exigencies. This apart, total debt/PBILD stands improved to 1.42x as of December 31, 2023 from 2.81x as of March 31, 2023. The lower leverage is attributed to the company executing majority of projects across different regions of African countries using the equipment on hire and purchase, thereby keeping the asset base low.

The management has articulated that the company is not expecting any major debt-funded capex to be taken up in the next three years ending FY27, thereby the capital structure is expected to remain comfortable with TOL/TNW less than unity. The interest coverage ratio stands at 2.00x in FY23 which further improved to 2.84x for 9MFY24 compared to 0.59x for FY22. CARE Ratings expects the interest coverage to continue to be more than 2x with the expected improvement in the operating margin and the scale of operations.

Experienced promoters and long track record of operations: AIL was established in 1986 and has established a presence in executing projects under engineering, procurement and construction (EPC) in sub-saharan central and west African countries such as Burundi, Tchad, Congo, Cameroon and Zambia, followed by India and Nepal. AIL specialises in executing projects in the power sector (generation, transmission and distribution), water infrastructure, and irrigation works. Promoters have rich experience in the field of construction over three decades with a proven track record of executing more than 200 projects. This expertise has enabled the company to build relationships with strong clientele.

Key weaknesses

Working capital-intensive operations: Working capital-intensive operations of the company are reflected in Gross Current Asset Days (GCA) at an elevated level in the range of 517 days to 558 days for the last three years up to FY23, which is primarily attributed to collection days standing at 220-350 days for last three years ending FY23. Elevated levels of debtors are primarily attributed to sticky receivables of about ₹ 158 crore from the hydro project in Congo and Salma Dam project in Afghanistan for the last three years.

Based on the articulation of the management, the company expects the majority of the sticky receivables to realize in FY25, which will aid the company in augmenting the scale of operations. Going forward, the timely realisation of receivables, thereby improving the financial risk profile of the company would be a key rating sensitivity.

Sectoral concentration but geographical diversification: The order book remains concentrated with more than 95% of projects in the power segment (generation, transmission and distribution). However, the order book is spread across sub-Saharan central and west African countries such as Burundi, Tchad, Congo, Cameroon and Zambia, with 69% followed by India with 24% and Nepal with 7%. Unfavourable changes in State Government policies, rules and regulations, or political upheaval can lead to slower execution of projects. Considering projects being executed are of social importance being funded by multilateral agencies and the established track record of the company subsides the risk.

Modest operating profit margin: The operating revenue for the last three years remained flat in the range of ₹627 crore – ₹648 crore compared to ₹960 crore in FY20, which is primarily due to limited order book position on account of restriction in participating orders due to debarment imposed by world bank, thus, resulting in a lower operating margin of 6-7% in the last three years with lower fixed cost absorption.

The company has achieved revenue of ₹402 crore for 9MFY24 with an operating margin of 10% due to better absorption of fixed expenses and the company being able to recover the past input escalation from the clients. CARE Ratings expects the scale of operations to improve with improvement in the order book, resulting in better absorption of fixed expenses, which will result in improved operating margins in the range of 9-10%. Going forward, the sustained improvement in the scale of operations and operating profit margins will be a key rating sensitivity.

Liquidity: Adequate

The adequate liquidity is marked by expected cash accrual generation of ₹43 crore which is sufficient to meet term loan obligations of around ₹3 crore – ₹4 crore, in the medium term. The company has an unencumbered cash & bank balance of ₹50 crore as of December 31, 2023.

Since the company primarily relies on mobilisation advances and creditors, the company has a lower reliance on working capital funds, which has an average utilisation of about 76% for the trailing 12 months ending December 2023. CARE Ratings expects that internal cash accrual generation and unencumbered cash balance and unutilised working capital limits are adequate to meet the working capital requirements.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

About the company and industry**Industry classification**

Macro-economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil construction

Incorporated in 1996, Angelique International Limited is a project engineering, procurement, and construction company for undertaking turnkey projects in power, water, irrigation, and agriculture sectors and industrial projects in Africa, Middle East, South and Southeast Asia. The company has a proven track record of more than 200 completed projects/ contracts. Projects are executed using multilateral funding, bilateral credits from Government to Government routed through EXIM Bank of India, supplier's credit, and buyer's own funds. The company sets up projects on turnkey basis which includes feasibility studies, design, engineering, procurement, supply, civil construction, installation, training, and trial runs. The company is domiciled in India and has its registered office in New Delhi. It also has a large network of overseas offices in various geographical regions spread across Africa, Southeast Asia, South Asian Association for Regional Cooperation (SAARC), Middle East, Latin America and the Caribbean region. It has projects in power, and a small segment of water-related projects. AIL is recognised as an ISO 9001:2015; ISO 14001:2015; EMS & OHSAS 18001:2007 certified company.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	627.93	648.31	402.55
PBILDT	17.75	43.19	50.05
PAT	21.43	22.48	14.04
Overall gearing (times)	0.43	0.36	0.05
Interest coverage (times)	0.59	2.00	2.84

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

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	45.00	CARE BBB+; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	1055.00	CARE BBB+; Stable / CARE A2

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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	45.00	CARE BBB+; Stable				
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	1055.00	CARE BBB+; Stable / CARE A2				

*LT: Long term; ST: Short term; LT/ST: Long term/Short 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	Fund-based - LT-Cash credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	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.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in</p>	<p>Analytical Contacts</p> <p>Maulesh Desai Director CARE Ratings Limited Phone: +91-79-4026 5605 E-mail: maulesh.desai@careedge.in</p> <p>Prasanna Krishnan Lakshmi Kumar Associate Director CARE Ratings Limited Phone: 91-120-4452014 E-mail: prasanna.krishnan@careedge.in</p> <p>Samta Singh Yadav Rating Analyst CARE Ratings Limited E-mail: samta.yadav@careedge.in</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**