



Press Release

GVR Infraconstructions India Private Limited

March 13, 2024

Ratings

Instrument/Facility	Amount (Rs Cr.)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	72.12 (enhanced from 47.06 and includes proposed cash credit of 2.59)	IVR BBB-/ Stable (IVR Triple B minus with Stable outlook)	Reaffirmed/ Assigned	Simple
Short Term Bank Facilities	86.50 (reduced from 101.56)	IVR A3 (IVR A Three)	Reaffirmed/ Assigned	Simple
Total	158.62 (INR One Hundred and Fifty Eight Crore and Sixty Two Lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of GVR Infraconstructions India Private Limited (GVR IIP) derives comfort from its experienced promoters, healthy order book indicating revenue visibility, and moderate financial risk profile with healthy debt coverage and liquidity indicators. These rating strengths are partially offset by dip in profits in FY23, however, improvement of the same has happened in 10MFY24 compared to 10MFY23, working capital intensive nature of its operations, high geographical, sector, and client concentration risks, and tender based business model of the Company.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in revenue over the medium term with diversification in terms of presence across geographies and sectors.



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- Steady improvement in margins.
- Sustained improvement in operating cycle over the medium term
- Sustained improvement in capital structure and debt coverage indicators.

Downward Factors

- Marked deterioration in revenue over the medium term either due to non-timely completion of projects and/or weak order book visibility.
- Deterioration in margins on a sustained basis
- Steady deterioration in operating cycle over the medium term.
- Marked deterioration in capital structure and debt coverage indicators.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with a long track record**

Telangana based GVRILPL was promoted by G Venkateswar Reddy in the year 2014. The Company only participates in the tenders of irrigation projects announced by the Telangana government and the established credentials of the promoter and reasonably long track record of GVRILPL are instrumental for ensuring successful wins of tenders.

- **Healthy order book indicating revenue visibility**

The Company had an unexecuted order book of INR1960.09 crore as on 31st January 2024, which is which is 6.5x of its FY23 revenue. Thus, there is a healthy revenue visibility because of this healthy order book. The targeted completion dates of these orders range from 2024 to 2027.

- **Moderate financial risk profile with healthy debt coverage and liquidity indicators**

The capital structure of the Company is conservative with an Overall Gearing ratio of 1.06x on March 31, 2023. This is an improvement over 1.23x on March 31, 2022. The long-term debt to equity ratio also dropped from 0.81x on March 31, 2022 to 0.60x on March 31, 2023. The interest coverage ratio remained between 3.67x and 4.06x in FY22 and FY23. The TOL/TNW based on also dropped from 2.62x on March 31, 2022 to 2.30x on March 31, 2023. The current ratio also improved slightly from 1.66x on March 31, 2022 to 1.73x on March 31, 2023.



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Key Rating Weaknesses

- **Working capital intensive nature of operations**

The operations of GVR IPL are working capital intensive primarily because of high collection period. The collection periods in FY22 and FY23 were 178 days and 221 days respectively. The average inventory days for both these periods were below 30 days. Creditor days deteriorated slightly from 100 days in FY22 to 106 days in FY23. The reliance on fund based working capital limits has been around 90% in the 12 months ended December 2023, which is high.

- **Dip in profits in FY23 with improvement of the same in 10MFY24 compared to 10MFY23**

The operating income of the Company increased by a mere ~0.5% YoY from INR297.88 crore in FY22 to INR299.41 crore in FY23 - that has got to do with the project related nature of the business of the Company where execution of orders are done over more than 1 year and thus the percentage of completion vary over each year. Based on our conversation with the Company, we believe that the best way to analyse the revenue of the Company is over a block of 3 years. The average revenue per year during FY21-23 roughly works out as INR307 crore. The EBITDA in absolute term decreased by ~16% YoY from INR43.61 crore in FY22 to INR36.87 crore in FY23 because of execution of matured stage contracts, where the margins are low compared to early stage contracts, the PAT also deteriorated from INR17.01 crore in FY22 to INR14.90 crore in FY23 primarily because of drop in EBITDA in FY23. Accordingly, the gross cash accruals of the Company dipped from INR26.17 crore in FY22 to INR22.72 crore in FY23. The operating margin decreased from 14.64% in FY22 to 12.31% in FY23 because of the reason pointed out earlier. The PAT margin also deteriorated from 5.70% in FY22 to 4.96% in FY23 primarily because of the drop in EBITDA margin, despite lower interest and depreciation charges in FY23. On comparing the key financial data of 10MFY24 with 10MFY23, we observe an increase in TOI, EBITDA, and PAT, which increased from INR166.85 crore, INR20.50 crore, and INR4.46 crore respectively to INR171.87 crore, INR21.23 crore, and INR4.73 crore respectively. The EBITDA and PAT margins also improved from 12.29% and 2.67% respectively in 10MFY23 to 12.35% and 2.75% respectively in 10MFY24.



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- **High geographical, sector, and client concentration risks**

GVRIIPL is totally focused on irrigation projects in the state of Telangana, which leads to high sector and geographical concentration risks. Further, its client profile primarily includes entities of Government of Telangana, which again leads to client concentration risk. However, counterparty credit risk is low as these entities are government bodies.

- **Tender based business model**

GVRIIPL's business model is completely tender based hence its fortunes depend on (a) tenders floated by the Telangana government and (b) successful bids on the tenders floated. The EPC industry is fragmented with a presence of multiple players. As a result, there is also a limit for the increase in margins of GVRIIPL, as in order to remain competitive and ensure successful bids, GVRIIPL would have to remain satisfied with moderate margins. Having said that, operating margins in the range of 13-15%, which GVRIIPL has achieved in the recent past are quite satisfactory.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The Company has a comfortable current ratio of 1.73x on March 31, 2023 and this ratio is remaining between 1.83x and 2.13x between March 31, 2024 and March 31, 2026. The GCAs of each of the years between FY23 and FY26 comfortably cover the debt repayments due in the respective years. The Operating Cycle of the Company was moderate at 129 days in FY23. Reliance on fund based working capital limits has been high at around 90% for the 12 months ended December 2023.

About the Company



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Incorporated in 2014 and based in Warangal (Telangana), GVR Infraconstructions India Private Limited (GVRIIPL) is engaged in the business of civil construction and primarily undertakes irrigation works in the state of Telangana. The closely held entity is promoted by Mr. Gankidi Venkateswar Reddy and is a special class contractor. GVRIIPL undertakes irrigation projects for 'The Superintendent Engineer' in the region, "Water Resource Department", and other departments of the Government of Telangana, and occasionally for KNR Constructions Limited, and Larsen & Toubro Limited (L&T).

Financials (Standalone):

For the year ended* / As on	INR in Crores	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	297.88	299.41
EBITDA	43.61	36.87
PAT	17.01	14.90
Total Debt	82.55	86.44
Tangible Net worth	66.93	81.30
EBIDTA Margin (%)	14.64	12.31
PAT Margin (%)	5.70	4.96
Overall Gearing ratio (X)	1.23	1.06

**Classification as per infomerics' standards*

Status of non-cooperation with previous CRA: Acuite Ratings and Research had moved the ratings of the Company to Issuer Not Cooperating category vide its press release dated September 18, 2023 due to non-submission of necessary information.

Any other information: N.A.



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23 (January 02, 2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	GECLs	Long Term	4.09	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
2.	Term Loans	Long Term	27.44	IVR BBB-/ Stable	-	-	-
3.	Cash Credit	Long Term	38.00	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
4.	Proposed Cash Credit	Long Term	2.59	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
5.	Bank Guarantee	Short Term	86.50	IVR A3	IVR A3	-	-
6.	Proposed Bank Guarantee	Short Term	-	-	IVR A3	-	-

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About Infomerics Ratings:

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).

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
GECL 1	-	-	Oct 2024	1.18	IVR BBB-/ Stable
GECL 2	-	-	Jan 2028	2.91	IVR BBB-/ Stable
Term Loan 1	-	-	Jul 2028	14.80	IVR BBB-/ Stable
Term Loan 2	-	-	Jul 2028	12.64	IVR BBB-/ Stable
Cash Credit	-	-	-	38.00	IVR BBB-/ Stable
Proposed Cash Credit	-	-	-	2.59	IVR BBB-/ Stable
Bank Guarantee 1	-	-	-	72.00	IVR A3
Bank Guarantee 2	-	-	-	14.50	IVR A3

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

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Len-GVR-Infraconstructions-13032024.pdf>

Annexure 4: Detailed explanation of covenants of the rated 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.