



## Press Release

### GRN Constructions Private Limited

February 28, 2024

#### Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	30.00 (enhanced from Rs. 15.00 crore)	IVR A-/ Stable (IVR single A minus with Stable Outlook)	Reaffirmed/ Assigned	Simple
Short Term Bank facilities	120.00 (including proposed limit of Rs. 50.00 crore) (enhanced from Rs. 85.00 crore)	IVR A2+ (IVR A two plus)	Reaffirmed/ Assigned	Simple
<b>Total</b>	<b>150.00</b> <b>(INR One hundred and fifty crore only)</b>			

**Details of Facility are in Annexure 1**

#### Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of GRN Constructions Private Limited (GRNCPL) continues to derive comfort from its long experience of promoters in the mining industry, reputed client profile, leading to low counterparty risk, healthy order book position, leading to adequate revenue visibility in near to medium term, in-built price escalation clause for fuel and labour protects margins to a large extent and satisfactory financial risk profile although moderation in scale during FY23. However, these rating strengths partially offset by its competitive nature of industry due to tender-based order awarding system, high client and project concentration risks, high debt servicing obligation due to continuous debt-funded capital expenditure.

#### Key Rating Sensitivities:

##### Upward Factors

- Sustained growth in scale of operations with improvement in profitability.
- Improvement in the capital structure with improvement in the debt protection metrics.



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- Improvement in liquidity marked by improvement in the operating cycle.

### **Downward Factors**

- Moderation in the scale of operation and/or moderation in profitability on a sustained basis.
- Elongation in the operating cycle impacting liquidity.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Long experience of promoters in the mining industry**

The company is promoted by Mr. Ganta Ramanaiah Naidu who has an experience of more than three decades in the mining industry, thereby creating healthy relationships with its customers enabling the company to obtain orders from existing customers. The company's day-to-day operations are looked after by Mr. Poorna Chandra Rao Ganta and Mr. Ramesh Ganta, along with a team of experienced professionals.

##### **Healthy order book position, leading to adequate revenue visibility in near to medium term**

The order book of GRNCPL stood at around Rs. 1025.51 crore as on November 30 2023 (~2.42 times of the revenues in FY2023), which provides adequate revenue visibility in the near to medium term. Infomerics notes that the ability of the company to scale up its resources both in terms of machinery and manpower for the successful execution of the current healthy order book in due time will remain a key rating factor, going ahead.

##### **Reputed client profile, leading to low counterparty risk**

The company has a reputed client base, which includes Singareni Collieries Company Limited and Western Coal Fields (subsidiary of Coal India Limited). A reputed client base reduces the counterparty risk to a large extent.

##### **In-built price escalation clause for fuel and labour protects margins to a large extent**

The principal direct costs for GRNCPL are high speed diesel and labour charges. For all



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contracts of GRNCPL, the in-built clause for price escalation in fuel and labour helps protect its profit margins to a large extent.

### **Satisfactory financial risk profile although moderation in scale during FY23**

Although, total operating income of the company has declined by ~ 5 % to Rs.423.19 crore in FY23 over FY22, financial risk profile has been satisfactory over the years marked by satisfactory profitability, comfortable capital structure and satisfactory liquidity profile. The decline in turnover has been primarily on account of lower execution of mining contracts during FY23. The EBIDTA margin though continued to remain healthy, witnessed marginal moderation to 41.77% in FY23 from 47.00% in FY22 mainly due to rise in the repair & maintenance cost of equipment, and labour charges. Further, the PAT margin of the company also moderated at 19.09% in FY23 from 23.27% in FY22 due to increase in interest expenses with the utilization of bank borrowing. GCA of the company improved to Rs.185.59 crore in FY23 from Rs.176.21 crore in FY22. Capital structure of the company had remained comfortable with its satisfactory net worth base of Rs.741.15 crore supported by accretion of profits as on March 31, 2023. The Overall gearing stood comfortable and improved to 0.16x as on March 31, 2023, from 0.22x as on March 31, 2022, because of increase in net worth of Rs. 741.15 crore as on March 31, 2023, from Rs. 611.13 crore as on March 31, 2022. Overall indebtedness of the company marked by TOL/TNW has improved and stood at 0.20x as on March 31, 2023, against 0.28x as on March 31, 2022. Debt protection metrics of the company remained moderate with marginally decline in the interest coverage ratio 18.50x in FY23 from 24.61x in FY22 led by decrease in operating profit.

### **Key Rating Weaknesses**

#### **Competitive nature of industry due to tender-based order awarding system**

GRNCPL secures work orders through tenders floated by various parties. Entities that meet the technical qualification criteria qualify for financial bidding, and subsequently the contract is awarded to the lowest (L1) bidder. Due to such tender-based order procurement, the company faces stiff competition, which has some bearing on the margins.

#### **High client and project concentration risks**



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GRNCPL's entire revenues in FY2023 came from two of its customers; SCCL and WCL as it existed in previous years also, reflecting high client and project concentration risks. Nevertheless, GRNCPL's counterparty risk remains low as all the pending contracts are from Government/PSU entities.

### **Debt-funded capital expenditure would continue to keep debt servicing obligations high**

The company relies mainly on external financing for funding the capital expenditure undertaken for purchase of machine and equipment required for ramping up the mining operation, which will result in sizeable long-term debt service obligations in the near to medium term.

**Analytical Approach & Applicable Criteria:** Standalone

[Rating Methodology for Infrastructure companies](#)

[Criteria for assigning rating outlook](#)

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

### **Liquidity – Strong**

The liquidity position of the company is expected to remain comfortable marked by its expected adequate gross cash accruals of Rs.141.26 crore, Rs.200.01 crore and Rs.198.87 crore in the projected respectively as against its debt repayment obligation of Rs.47.94 crore, Rs.46.94 crore and Rs.44.04 crore respectively in the projected years FY24, FY25 and FY26 respectively. The fund based utilisation of the company remained at ~22% and non-fund based utilisation remained ~73% during the 12 months period from February 23 to January 24 indicating adequate liquidity buffer.

### **About the Company**

The company was established as a proprietorship concern G. Ramanaiah Naidu and was subsequently converted in a private limited company in the name of G R N Constructions Private Limited. The company provides diversified underground mining services including mining, mine development, overburden removal, transportation etc. for coal, iron ore and



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copper. GRNCPL is also engaged in leasing of mining equipment and trading of mining equipment's spares. The company is based out of Nellore, Andhra Pradesh.

### Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31.03.2022	31.03.2023
	Audited	Audited
Total Operating Income	446.58	423.19
EBIDTA	209.88	176.75
PAT	127.38	129.07
Total Debt	134.76	117.77
Tangible Net Worth	611.13	741.15
EBDITA Margin (%)	47.00	41.77
PAT Margin (%)	27.43	26.85
Interest Coverage	24.61	18.50
Overall Gearing Ratio (x)	0.22	0.16

\*Classification as per Infomerics' standards.

### Status of non-cooperation with previous CRA:

India Ratings has maintained the ratings under Issuer Not Cooperating category on account of non-receipt of information despite repeated request to provide information for monitoring the ratings via press release dated October 26, 2023.

### Any other information: Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (December 26, 2022)	Date(s) & Rating(s) assigned in 2021-22 (October 19, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	OCC/OBBD	Long Term	10.00	IVR A-/ Stable	IVR A-/ Stable	IVR A-/ Stable	-
2.	Overdraft	Long Term	20.00 <sup>^</sup>	IVR A-/ Stable	IVR A-/ Stable	IVR A-/ Stable	-
3.	Bank Guarantee	Short Term	70.00 <sup>*</sup>	IVR A2+	IVR A2+	IVR A2+	-



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4.	Proposed Bank Guarantee	Short Term	50.00	IVR A2+	IVR A2+	IVR A2+	-

*^Bank Guarantee of Rs. 20 crore – sublimit of OD*

*^WCDL of Rs.20.00 crore- sublimit of OD*

*\*Overdraft of Rs.5.00 is sublimit of BG*

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### About Infomerics:

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).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



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### Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
OCC/ODBD	Long Term	-	-	10.00	IVR A-/ Stable
Overdraft	Long Term	-	-	20.00^	IVR A-/ Stable
Bank Guarantee 1	Short Term	-	-	25.00	IVR A2+
Bank Guarantee 2	Short Term	-	-	45.00*	IVR A2+
Proposed Bank Guarantee	Short Term	-	-	50.00	IVR A2+

*^Bank Guarantee of Rs. 20 crore – sublimit of OD*

*^WCDL of Rs.20.00 crore- sublimit of OD*

*\*Overdraft of Rs.5.00 is sublimit of BG*

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-GRN-Constructions-feb24.pdf>

**Annexure 3: List of companies considered for consolidated analysis: Not Applicable**



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**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](http://www.infomerics.com).

