



## Press Release

### GVR Infraconstructions India Private Limited

January 02, 2023

#### Ratings

| Instrument/Facility           | Amount<br>(Rs Cr.)   | Ratings   | Rating Action | <a href="#">Complexity<br/>Indicator</a> |
|-------------------------------|--|---|---------------|--|
| Long Term Bank<br>Facilities  | 47.06  | IVR BBB-/ Stable<br>(IVR Triple B minus<br>with Stable outlook) | Assigned      | Simple                                   |
| Short Term Bank<br>Facilities | 101.56   | IVR A3<br>(IVR A Three)   | Assigned      | Simple                                   |
| <b>Total</b>                  | <b>148.62</b><br><b>(One</b><br><b>hundred and</b><br><b>forty eight</b><br><b>crore and</b><br><b>sixty two</b><br><b>lakhs only)</b> |   |               |  |

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of GVR Infraconstructions India Private Limited (GVR IIPPL) derives comfort from its experienced promoters and comfortable financial risk profile with healthy debt coverage and liquidity indicators, The ratings also notes substantial improvement in revenues and profits in 8MFY23 vis-à-vis 8MFY22 and healthy order book position of the company indicating satisfactory revenue visibility in the near to medium term.. These rating strengths are partially offset by working capital intensive nature of its operations, high geographical, sectorial 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.
- Steady improvement in margins.
- Sustained improvement in operating cycle over the medium term
- Sustained improvement in capital structure and debt coverage indicators.

##### Downward Factors



## Press Release

- 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 has an unexecuted order book of INR1749.26 crore as on 30<sup>th</sup> November 2022, which is 5.8x of its FY22 revenue. Thus, there is a healthy revenue visibility because of this healthy order book. The targeted completion dates of these orders range from 2023 to 2025.

- **Substantial improvement in revenues and profits in 8MFY23 vis-à-vis 8MFY22**

During 8MFY23 the Company has achieved revenue of Rs.156.20 crore with a y-o-y growth of ~64%. Further, with growth in its revenue, the Company also registered growth in its EBITDA from INR16.04 crore in 8MFY22 to INR25.37 crore in 8MFY23 (Growth of 58.1% Y-o-Y). EBITDA margins were maintained at slight north of 16%. Infomerics expects healthy growth in its revenue and profits in FY23.

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

The capital structure of the Company is moderate with an Overall Gearing ratio considering adjusted equity of 0.78x as on March 31,2022 (1.05x as on March 31,2021). The long-term debt to adjusted equity ratio also improved from 0.61x as on March 31,2021 to 0.44x as on March 31,2022. The interest coverage ratio remained between 3.82x and 3.67x respectively in FY21 and in FY22. The total indebtedness of the company marked by TOL/TNW based on adjusted equity stood comfortable at 1.88x as on March 31,2022. The current ratio also improved slightly from 1.58x in as on March 31,2021 to 1.66x as on March 31,2022.



## Press Release

### Key Rating Weaknesses

- **Working capital intensive nature of operations**

The operations of GVRILPL are working capital intensive primarily because of its high collection period. The average collection periods in FY21 and in FY22 were 176 days and 178 days respectively. The average inventory days for both these periods were below 30 days. Creditor days improved slightly from 105 days in FY21 to 100 days in FY22. The reliance on fund based working capital limits has been around 80% in the 12 months ended November 2022, which is moderate.

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

GVRILPL 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**

GVRILPL'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 GVRILPL, as in order to remain competitive and ensure successful bids, GVRILPL would have to remain satisfied with moderate margins. Having said that, operating margins in the range of 14-15%, which GVRILPL 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



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The Company has a comfortable current ratio of 1.66x as on March 31,2022. The GCAs of each of the years between FY22 and FY25 is expected to comfortably cover the debt repayments due in the respective years. The Operating Cycle of the Company was moderate at 107 days in FY22 and is expected to remain between 119-131 days during FY23-25 (Creditor days are expected to reduce while collection period and inventory days are expected to remain in line with FY22), reliance on fund based working capital limits has been moderate at around 80% for the 12 months ended November 2022.

### **About the Company**

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 |            |
|--------------------------------------|---------------|------------|
|                                      | 31-03-2021    | 31-03-2022 |
|                                      | Audited       | Audited    |
| Total Operating Income               | 325.18        | 297.88     |
| EBITDA                               | 41.53         | 43.61      |
| PAT                                  | 17.73         | 17.01      |
| Total Debt                           | 77.60         | 82.55      |
| Tangible Net worth                   | 50.73         | 66.93      |
| Tangible Net worth (Adjusted)        | 62.49         | 84.06      |
| EBIDTA Margin (%)                    | 12.77         | 14.64      |
| PAT Margin (%)                       | 5.44          | 5.70       |
| Overall Gearing ratio (X) (Adjusted) | 1.05          | 0.78       |

*\*Classification as per infomerics' standards*



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**Status of non-cooperation with previous CRA: NA**

**Any other information: N.A.**

**Rating History for last three years:**

| Sr. No. | Name of Instrument/Facilities | Current Rating (Year 2022-23) |                              |                  | Rating History for the past 3 years     |   |   |
|---------|-------------------------------|-------------------------------|------------------------------|------------------|---|---|---|
|         |                               | Type                          | Amount outstanding (Rs. Cr.) | Rating           | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 |
| 1.      | GECL                          | Long Term                     | 6.06                         | IVR BBB-/ Stable | -                                       | -                                       | -                                       |
| 2.      | Cash Credit                   | Long Term                     | 38.00                        | IVR BBB-/ Stable | -                                       | -                                       | -                                       |
| 3.      | Proposed Cash Credit          | Long Term                     | 3.00                         | IVR BBB-/ Stable | -                                       | -                                       | -                                       |
| 4.      | Bank Guarantee                | Short Term                    | 66.50                        | IVR A3           | -                                       | -                                       | -                                       |
| 5.      | Proposed Bank Guarantee       | Short Term                    | 35.06                        | IVR A3           | -                                       | -                                       | -                                       |

### **Name and Contact Details of the Rating Analyst:**

|   |   |
|---|---|
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### **About Infomerics Ratings:**

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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





## Press Release

For more information visit [www.infomerics.com](http://www.infomerics.com)

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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      | 3.11                      | IVR BBB-/ Stable         |
| GECL 2                  | -                | -                | Jan 2028      | 2.95                      | IVR BBB-/ Stable         |
| Cash Credit             | -                | -                | -             | 38.00                     | IVR BBB-/ Stable         |
| Proposed Cash Credit    | -                | -                | -             | 3.00                      | IVR BBB-/ Stable         |
| Bank Guarantee          | -                | -                | -             | 66.50                     | IVR A3                   |
| Proposed Bank Guarantee | -                | -                | -             | 35.06                     | 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-GVRInfra-jan23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated facilities: Not Applicable.**



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**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).

