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V. L. Infraprojects Limited (erstwhile V. L. Infraprojects Private Limited)

July 01, 2024

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	12.65 (enhanced from 9.08)	IVR BBB-/ Stable (IVR Triple B minus with stable outlook)	IVR BB/ Stable (IVR B with Stable outlook)	Upgraded/ Assigned	Simple
Short Term Facilities	9.40 (enhanced from 4.19)	IVR A3 (IVR A three)	IVR A4 (IVR A four)	Upgraded/ Assigned	Simple
Total	22.05 (INR twenty-two crore five lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The upgradation of the ratings assigned to the existing bank facilities and the ratings assigned to the enhanced bank facilities of V. L. Infraprojects Limited (VLIL) considers significant improvement in the topline and profits in FY2024 (provisional) (refers to the period 1st April 2023 to 31st March 2024). The ratings also derive strength from the experienced promoters with established track record of operations, comfortable capital structure, healthy coverage indicators, reputed client profile leading to low counterparty risk, moderate order book reflecting near term revenue visibility, and Government's thrust on infrastructure. However, these rating strengths are partially constrained by the fact that VLIL has susceptibility of profits to volatile input prices, presence in a highly competitive industry and tender driven nature of its business, and high geographical and sectoral concentration risks.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income and profitability leading to improvement in cash accruals and debt protection metrics.
- Addition of fresh orders and timely execution of the same.

Downward Factors



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- Increase in operating cycle leading to deteriorating working capital position.
- Any debt funded capital expenditure, which may adversely impact the company's liquidity position.
- Delay in execution of orders awarded

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Significant improvement in the topline and profits in FY2024 (provisional)

The company's revenue continues to be steady over the years. It has witnessed an increase of ~150% in its revenue from INR 45.56 Cr during FY23 (refers to the period 1st April 2022 to 31st March 2023) to INR 113.93 Cr during FY24 (P) driven by substantial increase in orders. However, the scale continues to remain small. Consequently, the absolute EBITDA of the company has improved from INR 4.70 Cr during FY23 to INR 10.97 Cr during FY24 (P). Similarly, the PAT also increased from INR 2.21 Cr during FY23 to INR 6.19 Cr during FY24 (P) and GCA from INR 2.59 Cr during FY23 to INR 6.68 Cr during FY24 (P).

Experienced promoters with established track record of operations

The promoters of the company have a long experience in executing projects in civil infrastructure, which has enabled strong relations with customers and suppliers, thus strengthening the operational risk profile of the company.

Comfortable capital structure

The TNW of the company stood at INR 16.45 Cr as on March 31, 2024 (P), compared to INR 10.26 Cr as on March 31, 2023, witnessing a significant growth consistently on the back of increasing profit along with infusion of capital by the promoters. However, total debt of the company increased from INR 9.09 Cr as on 31st March 2023 to INR 14.28 Cr in 31st March 2024 (P) on account of availing fresh term loan along with higher utilisation of short-term fund based limits on closing balance sheet dates. Consequently, the overall gearing ratio improved slightly from 0.89x as on 31st March 2023 to 0.87x as on 31st March 2024 (P). However, overall



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indebtedness of the company marked by TOL/TNW has deteriorated and stood at 2.48x as in 31st March 2024 (P) against 1.76x as in 31st March 2023.

Healthy coverage indicators

The interest coverage ratio (including bank charges) indicator stood comfortable and witnessed an improvement from 3.51x during FY23 to 5.58x during FY24 (P) driven by increase in EBITDA (from INR 4.70 Cr during FY223 to INR 10.97 Cr during FY24 (P)). The debt coverage indicators as depicted by Total Debt/EBITDA stood at 1.30x (1.93x in FY23) in FY24 (P). DSCR remains comfortable and stood at 2.98x in FY24 (P) (1.76 times in FY23)

Reputed client profile, leading to low counterparty risk

The company undertakes work contracts primarily for Government departments. Over the years, the company has executed several civil construction projects for various government departments and entities. Since the client base of the company is majorly Government departments, the counterparty risk remains low.

Moderate order book reflecting near term revenue visibility

VLIL order book stood at around Rs. 160.92 crore as on May 31, 2024, i.e., 1.41 times of its FY24 (Provisional) total operating income (i.e., Rs. 113.93 crore) which provides adequate revenue visibility in the near term. Infomerics notes that the company's ability to scale up resources both in terms of machinery and manpower for successful execution of the current healthy order book in due time will remain a key rating factor, going ahead.

Government's thrust on infrastructure

The infrastructure sector has seen some major developments, investments, and support from the government in the recent past. In Union Budget 2023-24, the government has given a massive push to the infrastructure sector by allocating Rs. 11.11 lakh crores to it. VLIL with experience in executing projects in civil infrastructure development is likely to be benefitted in the near to medium term by the increased thrust of the government in developing infrastructure.



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Key Rating Weaknesses

Susceptibility of profits to volatile input prices

Major raw materials used in construction activities are steel and cement which are usually sourced from large players at proximate distances. The input prices are generally volatile and consequently the profits remain susceptible to fluctuation in input prices.

Presence in a highly competitive industry and tender driven nature of the business

Execution risks for newly awarded projects in a timely manner will be the key to achieving growth in revenues and profits. Business certainty is dependent on the ability to successfully bid for the tenders as entire business is tender based. The domestic infrastructure/construction sector is highly fragmented with the presence of many players with varied statures & capabilities. A boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, a significant price cut by few players during the bidding process can be damaging to the chance of success of the company.

High geographical and sectoral concentration risks

The major portion of the company's revenues and the current order book are concentrated in the state of Gujarat. Though the company is executing orders in other states as well, the proportion of the same in the revenue and order book remains low, exposing VLIL to high geographical concentration risk. Moreover, the company also remains exposed to high sectoral concentration risk with operations primarily limited to water supply projects.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)



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Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity profile of the Company is expected to remain adequate with satisfactory cash accruals (INR 10.49 Cr to 17.80 Cr) vis a- vis debt repayment obligations (INR 0.64 Cr to INR 1.88 Cr). The current ratio of the Company was also comfortable at 1.67x & 1.43x as on March 31, 2023, and March 31, 2024 (Provisional) respectively. Current ratio is expected to remain comfortable between 2.34x and 2.63x between March 31, 2025, and March 31, 2027. However, the average cash credit utilisation of the Company remained moderate at ~88% during the past 12 months ended March 31, 2024 indicating moderate liquidity cushion.

About the Company

V. L. Infraprojects Limited under the guidance of Mr. A. Rajagopal Reddy and Mrs. A. Mydhili Reddy was incorporate in the year 2014 and started its operations in FY2015. It started as modest foray into the water pipelines projects and had its presence only in the state of Gujarat. Gradually it has ventured into all types of roads, irrigation, water, and environment projects with presence in Madhya Pradesh, Karnataka, Telangana and Maharashtra.

On 1st September 2023, the Company converted from Private Limited to a Public Limited Company and the name changed from “V. L. Infraprojects Private Limited” to “V. L. Infraprojects Limited”.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	45.56	113.93
EBITDA	4.70	10.97
PAT	2.21	6.19
Total Debt	9.09	14.28
Tangible Net Worth	10.26	16.45
EBITDA Margin (%)	10.32	9.63
PAT Margin (%)	4.85	5.43
Overall Gearing Ratio (x)	0.89	0.87
Interest Coverage (x)	3.51	5.58

* Classification as per Infomerics' standards.



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Status of non-cooperation with previous CRA: Nil

Any other information:

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					(June 01, 2023)	-	-
1.	Term Loans	Long Term	0.75	IVR BBB-/Stable	IVR BB/Stable	-	-
2.	Guaranteed Emergency Credit Lines	Long Term	0.98	IVR BBB-/Stable	IVR BB/Stable	-	-
3.	Dropline Overdrafts	Long Term	0.17	IVR BBB-/Stable	IVR BB/Stable	-	-
4.	Overdraft	Long Term	0.75	IVR BBB-/Stable	IVR BB/Stable		
5.	Cash Credit	Long Term	10.00	IVR BBB-/Stable	IVR BB/Stable	-	-
6.	Bank Guarantee	Short Term	9.40	IVR A3	IVR A4	-	-

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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).

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

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan 1	-	-	-	Feb-26	0.26	IVR BBB-/ Stable
Term Loan 2	-	-	-	Nov-25	0.29	IVR BBB-/ Stable
Term Loan 3	-	-	-	Sep-27	0.20	IVR BBB-/ Stable
GECL 1	-	-	-	Nov-26	0.46	IVR BBB-/ Stable
GECL 2	-	-	-	Oct-25	0.25	IVR BBB-/ Stable
GECL 3	-	-	-	Dec-27	0.16	IVR BBB-/ Stable



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GECL 4	-	-	-	Dec-26	0.07	IVR BBB-/ Stable
GECL 5	-	-	-	Sept-24	0.04	IVR BBB-/ Stable
Cash Credit	-	-	-	-	10.00	IVR BBB-/ Stable
Dropline Overdraft 1	-	-	-	-	0.09	IVR BBB-/ Stable
Dropline Overdraft 2	-	-	-	-	0.08	IVR BBB-/ Stable
Overdraft	-	-	-	-	0.75	IVR BBB-/ Stable
Bank Guarantee	-	-	-	-	9.40	IVR A3

Annexure 2: Facility wise lender details - [Facility wise lender details V. L. Infraprojects Limited.pdf \(sharepoint.com\)](#)

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

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.