



## Press Release

**Vaishno Associates Vidyut Projects LLP (VAVPL)**

**August 14<sup>th</sup>, 2024**

### Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	14.00 (Enhanced from Rs.5.00 crore)	IVR BBB/ Stable [IVR Triple B with Stable Outlook]	IVR BBB-/ Stable [IVR Triple B Minus with Stable Outlook]	Upgraded	<a href="#">Simple</a>
Short term Bank Facilities	201.00 (Enhanced from Rs.57.50 crore)	IVR A3+ [IVR A Three Plus]	IVR A3 [IVR A Three]	Upgraded	<a href="#">Simple</a>
<b>Total</b>	<b>Rs. 215.00 crore (Rupees two hundred and fifteen crore only)</b>				

**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

Infomerics has upgrade the rating assigned to the bank facilities of VAVPL. The rating upgrade takes into consideration the significant increase in turnover along with improved profitability margins over past two years. Further the rating continues to derive comfort from the strong revenue growth with improvement in operating profitability, strong order book position, comfortable capital structure and debt protection metrics and experienced partners with long track record of operation. The rating strengths are, however, constrained by working capital intensive operations and constitution of the firm and susceptibility to risks inherent in tender-based business and geographical concentration in revenue.

The Stable Outlook reflects expected growth in revenue and profitability with strong order book and expectations of stable debt protection metrics over FY25-FY27.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial improvement in the scale of operations along with profitability on a sustained basis.
- Significant improvement in working capital cycle.
- Sustenance of the adjusted TOL/TNW below 2x.

#### **Downward Factors**

- Sustained decline in revenue and profitability and/or deterioration in working capital cycle and/or any unplanned debt fund led capex leading to deterioration in credit profile and the liquidity position.

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

#### **A. Key Rating Strengths**

##### **Strong revenue growth with improvement in operating profitability**

VAVPL revenue has increased by 84% on y-o-y basis to Rs.209.78 crore as per provisional FY24 (period refers from April 01, 2023, to March 31<sup>st</sup>, 2024) due to timely project execution. VAVPL's EBITDA margins improved to 13.86% in FY24 (P) (FY23:6.31%) due to strong order execution and operating leverage. Net profit margin has marginally improved to 6.31% in FY24, from 6.12% in FY23, due to higher interest cost due to higher working capital borrowings despite improved profitability.

##### **Strong order book position**

The firm has strong order of Rs.692.34 crore (3.3x of FY24 (P) revenue) which provides strong revenue visibility. Order book is diversified with Jodhpur Vidyut Vitran Nigam Limited accounts for 21.6% followed by North Bihar Power Distribution Company Limited (16.5%), West Bengal State Electricity Distribution Company Limited (16.5%) and rest from Jammu Power Distribution Corporation Limited. All the orders have inbuilt price escalation clause which insulate the firm from any adverse price movement of raw material prices. The firm has successful track record of completion of contracts in time. The order book consists of projects from governments and other public sector clients. Hence counterparty risk is low.



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### **Comfortable capital structure and debt protection metrics**

VAVPL is having unsecured loan from partners of Rs.2.80 crore in FY24 (P), which is subordinated to the bank loans, and we treated these loans as quasi equity. The capital structure of VAVPL stood comfortable marked by overall gearing including quasi equity stood at 0.34x as on March 31<sup>st</sup>, 2024 (P) (March 31<sup>st</sup>, 2023: 0.40x), due to no significant increase in debt along with healthy accretion of profits to reserves. TOL/TNW remained has deteriorated to 2.23x as on March 31<sup>st</sup>, 2024 (P) (March 31<sup>st</sup>, 2023: 1.44x), due to higher purchases at the end of the year as well as advance received from its customers. The debt protection metrics remained comfortable with interest coverage ratio and total debt to NCA at 3.17x and 1.31 years respectively as on 31<sup>st</sup> March 2024. (March 31<sup>st</sup>, 2023: 5.78x and 2.07 years).

### **Experienced partners with long track record of operation**

VAVPL is promoted by Mr. Raj Kumar Babutta and his wife Ms. Raj Neeral Babutta. The partners of the firm have an experience of more than decades in power transmission industry. They are actively involved in day-to-day management of the business and are well assisted by effectively qualified second-tier management in day-to-day operations.

### **B. Key Rating Weaknesses**

#### **Working capital intensive operations**

The operations of the firm are working capital intensive due to high collection days around 88 in FY24 (FY23: 88) which includes retention money which is release after execution of entire orders. The firm majorly deals with government-based entities wherein it receives the payment in 60-90 days after completion of work. In addition, outstanding debtors are high as on March 31<sup>st</sup>, 2024, mainly due to year end billing. However, VAVPL manages its working capital cycle by availing credit period from its suppliers as it has a long-standing relationship with majority of its suppliers, as well as through mobilisation advances from clients. Creditor days stood at 66 in FY24 (FY23: 63).

#### **Constitution of the firm**

Withdrawal of the capital by the partners involved in Limited Liability partnership may adversely impact the overall capital of the firm.



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### **Susceptibility to risks inherent in tender-based business and geographical concentration in revenue**

As sales are almost entirely tender-based, revenue depends on ability to bid successfully. Intense competition from large, established players and government entities will continue to constrain scalability, pricing power and profitability. Being a regional player, VAVPL executes projects largely in Maharashtra, and Rajasthan thus, remains susceptible to any slowdown in tenders floated in the region or changes in government policies.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Infrastructure companies](#)

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

[Criteria on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity: Adequate**

Adequate liquidity characterized by sufficient cushion in gross cash accruals in the range on Rs.17.21 - Rs. 26.25 crore in the projected period FY25-27 against minimal debt repayments. The average fund based at 51% for last 12 months ended June 2024. DSCR of the VAVPL stood comfortable at 2.07x in FY24 provisional. The company is having free FD aggregating to Rs.15.91 crore as on March 31st, 2024, which provides strong liquidity over medium term. Current ratio stood at 1.60x in FY24.

### **About the company**

Vaishno Associates Vidyut Project LLP (VAVPL) based in Jaipur was incorporated as a proprietorship concern in 2005. Later in August 2015 it was reconstituted as LLP by Mr Raj Kumar Babutta and his wife Ms. Raj Neeral Babutta. The firm is mainly into EPC business and undertakes turnkey projects for erecting, planning, and commissioning of electrical lines, power transmission/distribution, alternating current-direct charge conversion, substation projects, grid station, and shifting of utility lines for state electricity boards in various states and also from private EPC companies.



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### Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Provisional)
Total Operating Income	114.04	209.78
EBITDA	12.42	29.08
PAT	7.03	13.30
Total Debt	15.16	18.12
Tangible Net Worth	38.21	49.88
EBITDA Margin (%)	10.89	13.86
PAT Margin (%)	6.12	6.31
Overall Gearing Ratio (x)	0.40	0.42
Interest Coverage (x)	5.78	3.17

\*Classification as per Infomerics' standards

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

Brickworks Ratings in its press release dated December 20<sup>th</sup>, 2023, has downgrade the ratings for the bank loan facilities of VAVPL and moved to "ISSUER NOT COOPERATING" category on account of non-availability of information.

CRISIL Ratings in its press release dated May 28<sup>th</sup>, 2024, has reaffirmed the ratings for the bank loan facilities of VAVPL and continues under "ISSUER NOT COOPERATING" category on account of non-availability of information.

**Any other information:** Nil

### Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	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
					Aug 03, 2023	--	--
1.	Long term Bank Facilities	Long Term	14.00	IVR BBB/ Stable	IVR BBB-/ Stable	--	--
2.	Short term Bank Facilities	Short Term	201.00	IVR A3+	IVR A3;	--	--



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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.

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. crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	--	--	Revolving	5.00	IVR BBB/ Stable
Long Term Bank Facilities – Overdraft	--	--	Revolving	3.00	IVR BBB/ Stable
Long Term Bank Facilities – Overdraft	--	--	Revolving	1.00	IVR BBB/ Stable
Long Term Bank Facilities – Overdraft	--	--	Revolving	4.00	IVR BBB/ Stable
Long Term Bank Facilities – Overdraft	--	--	Revolving	1.00	IVR BBB/ Stable
Short Term Bank Facilities – Bank Guarantee	--	--	--	32.00	IVR A3+;
Short Term Bank Facilities – Bank Guarantee	--	--	--	48.00	IVR A3+;
Short Term Bank Facilities – Bank Guarantee	--	--	--	45.00	IVR A3+;
Short Term Bank Facilities – Bank Guarantee	--	--	--	36.00	IVR A3+;
Short Term Bank Facilities – Bank Guarantee	--	--	--	40.00	IVR A3+;

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Vaishno-Associates-aug24.pdf>

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

**Annexure 4: List of companies considered for consolidated 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](http://www.infomerics.com).