



Press Release

Velji Ratna Sorathia Infra Private Limited

December 3, 2024

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	80.50 (reduced from 120.00)	IVR A-/ Stable (IVR A minus with Stable outlook)	IVR A-/ Stable (IVR A minus with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	419.50 (enhanced from 230.00)	IVR A2+ (IVR A two plus)	IVR A2+ (IVR A two plus)	Reaffirmed	Simple
Total	500.00 (INR Five hundred crore 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 ratings assigned to the bank facilities of Velji Ratna Sorathia Infra Private Limited (VRSIPL) considers the common management team and financial linkages between VRSIPL and its subsidiaries - 4S Highways Private Limited, Bhojpur Mahadev Private Limited and Suwasara Bhanpura Highway Private Limited. Infomerics has taken a combined view of these entities.

Infomerics Ratings has reaffirmed the ratings assigned to the bank facilities of VRSIPL after taking into account steady increase in the topline and profits, healthy order book position which provides adequate revenue visibility, conservative capital structure and comfortable coverage indicators, experienced promoters and management team and a sizeable own fleet of construction equipment and machineries. However, these rating strengths are partially offset by increased exposure to group entities in the form of corporate guarantees, highly competitive industry because of the fragmented and tender-driven nature of business and exposure to volatile raw material prices coupled with inherent project execution risk.

The stable outlook considers that the company will continue to benefit from its strong and diversified order book, its sizable feet of owned assets and an experienced management.

Key Rating Sensitivities:



Press Release

Upward Factors

- Growth in scale of operations with improvement in profitability and gross cash accrual on a sustained basis.
- Timely and proper execution of existing order book and diversification in regional presence.
- A reduction in corporate guarantee extended to the group companies.

Downward Factors

- Dip in operating income and/or profitability impacting the debt protection metrics
- Any significant increase in fund based working capital requirements of the company and/ or debt funded capital expenditure exerting pressure on the liquidity position of the company.
- Any liability arising out of corporate guarantee extended to group companies.
- Any delay in the execution of the order book, leading to the elongation of the working capital cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Steady increase in the topline and profits**

On a combined level, TOI has been increasing due to higher execution of orders. TOI was Rs. 606.55 crore in FY22 (refers to period from April 1, 2021 to March 31, 2022) which increased to Rs. 649.99 crore in FY23 (refers to period from April 1, 2022 to March 31, 2023) and further to Rs. 759.33 crore in FY24 (refers to period from April 1, 2023 to March 31, 2024). Consequently, EBITDA increased from Rs. 71.29 crore in FY22 to Rs. 95.57 crore in FY24. PAT was Rs. 36.43 crore in FY22, which increased to Rs. 45.22 crore in FY24. In H1FY25, TOI at the flagship company, VRSIPL, was Rs. 473.65 crore up 17% y-o-y and EBITDA and PAT was Rs. 65.83 crore and Rs. 34.38 crore up 43% and 62% y-o-y respectively. Infomerics notes that a sustained increase in topline and profit will be a key rating factor going ahead.

- **Healthy order book position provides adequate revenue visibility**

As of June 30, 2024, the company has an unexecuted order book of Rs. 3329.77 crore, which will be executed over the next 3 fiscal years. The order book is 4.4 times of FY24 revenues, which provides a good visibility for revenue growth over the medium term. Present unfinished work order is geographically diversified in 6 states- Madhya Pradesh, Jharkhand, Gujarat,



Press Release

Uttar Pradesh, Orissa and Punjab and across 8 verticals- road, water supply, development of industrial park, construction of Government building, high speed railway, railway, bridge, airport. Infomerics notes that the company's ability for successful execution of the current healthy order book in due time will remain a key rating factor, going ahead.

- **Conservative capital structure and comfortable coverage indicators**

As of March 31, 2024, the capital structure of the company was comfortable with total debt of Rs. 198.35 crore compared with networth of Rs. 230.98 crore. Total debt increased from Rs. 143.39 crore as on March 31, 2023, due to an increase in term loan which was taken to purchase equipment in order to execute the growing order book and term loan taken to execute the HAM projects. Despite an increase in total debt, the leverage ratios looked comfortable with long term debt equity of 0.59 times, overall gearing ratio of 0.86 times, TOL/TNW of 1.54 times as of March 31, 2024, though these ratios moderated from long term debt equity of 0.24 times, overall gearing ratio of 0.77 times, TOL/TNW of 1.80 times as of March 31, 2023. The debt protection metrics of the company was strong with interest coverage ratio of 4.26 times and debt service coverage of 2.25 times in FY24, compared with interest coverage of 5.86 times and DSCR of 1.93 times in FY23.

- **Experienced promoters and management team**

VRSIPL is promoted by Sorathia family having experience of nearly six decades in execution of small and mid-size infrastructure projects. Presently, VRSIPL's operations are managed by Mr. Haresh Sorathia (third generation of the family), who has more than a decade of experience in the construction industry. The promoters and directors are ably supported by team of experienced engineers and project managers in project planning, execution and day-to-day business operations. VRISPL's client consists of government entities including central/ state governments undertakings, urban local bodies and public sector undertakings which translates into limited counterparty credit risk.

- **Sizeable own fleet of construction equipment and machineries**

The company has a fleet of construction equipment, which it has built up over the years in order to execute the projects, Recently the company has made an addition of ~Rs. 90 crore to its gross block which include addition of equipment in order to execute the growing order book. The company spends on its equipment every 4 to 5 years, which helps it in smooth execution of orders.



Press Release

Key Rating Weaknesses

- **Increased exposure to group entities in the form of corporate guarantees**

The flagship company - VRSIPL has exposure to Corporate Guarantees of Rs. 24.57 crore as on March 31, 2024, which has increased from Rs. 11.30 crore as on March 31, 2023. These corporate guarantees are given in favour of three HAM projects –Bhojpur Mahadev Highways Private Limited (project is continuing), 4S Highways Private Limited (project completed) the third one Suwasra Bhanpura Highways Pvt. Ltd. (project is yet to start). The crystallisation of such liabilities may impact the company's liquidity profile to some extent.

- **Highly competitive industry because of the fragmented and tender-driven nature of business**

VRSIPL- the flagship company is a mid-sized player operating in an intensely competitive construction industry with presence of large number of contractors. As the entry barriers in the sector are low there are multiple players present thereby exposing the company to intense competition. Additionally, the contracts are acquired through tendering process which exposes the company to intense competition and mutes the bargaining power. Moreover, aggressive bidding by different contractors exerts pressure on margins.

- **Exposure to volatile raw material prices coupled with inherent project execution risk**

The company is exposed to volatile raw material prices, since its primary raw materials are sand, RCC, cement, steel, etc. of various types & grades, the prices of which are highly volatile in nature, the sharp fluctuations in which may lead to fluctuations in the profit margins of the firm. Moreover, it is also exposed to the inherent project execution risk in the EPC business, which factors in many aspects viz. timely availability of project site, raw materials, skilled & unskilled labour, government clearances, etc.

Analytical Approach: Combined

For the purpose of rating we have combined the financial statements of Velji Ratna Sorathia Infra Private Limited, 4S Highways Private Limited, Bhojpur Mahadev Private Limited and Suwasara Bhanpura Highway Private Limited. This is because these companies are under control of same promoters, have business and financial linkages.



Press Release

List of companies considered for combined analysis is given at Annexure 4.

Applicable Criteria:

[Consolidation of companies](#)

[Rating Methodology for Infrastructure Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

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

Liquidity – Adequate

Liquidity is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY25-FY27. The average fund based utilisation for the past twelve months ended September 2024 remained moderate at ~74% indicating a sufficient cushion. Absence of any debt funded capex provides further comfort to the liquidity position. Further the company had free fixed deposits of Rs. 20.84 crore as on March 31, 2024, which gives strong cushion to liquidity position.

About the Company

VRSIPL is promoted by Sorathia family having experience of nearly five decades in execution of small and mid-size infrastructure projects. Presently, VRSIPL's operations are managed by Mr. Haresh Sorathia (third generation of the family), who has more than a decade of experience in the construction industry. VRSIPL's client consist of government entities including central/ state governments undertakings, urban local bodies and public sector undertakings. VRSIPL's orderbook has diversified its operations across multiple segments including road, water supply & irrigation, building, bridge, railways, etc. with stronghold in road and water supply & irrigation. VRSIPL's orderbook remain diversified across multiple geographies including though it remains concentrated in MP and Jharkhand. VRSIPL is also a sponsor for three projects awarded by MPRDC for rehabilitation and upgradation of road under HAM model. For execution of these project, VRSIPL had promoted three SPVs namely Bhojpur Mahadev Highways Private Limited, 4S Highways Private Limited and Suwasra Bhanpura Highways Pvt. Ltd. holding majority of equity shares capital in each as on March 31, 2024.



Press Release

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	649.97	759.30
EBITDA	71.74	95.76
PAT	39.43	47.42
Total Debt	131.28	172.24
Adjusted Tangible Net Worth	177.21	224.60
EBITDA Margin (%)	11.04	12.61
PAT Margin (%)	6.00	6.18
Adjusted Overall Gearing Ratio (x)	0.74	0.77
Interest Coverage (x)	6.44	4.73

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)				Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating		Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022
					November 5, 2024	August 23, 2023		
1.	Cash Credit	Long Term	80.50	IVR A-/Stable	IVR A-/Stable	IVR BBB+/Stable	-	-
2.	Bank Guarantee	Short Term	419.50	IVR A2+	IVR A2+	IVR A2	-	-

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About Infomerics:



Press Release

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 and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit 1	-	-	-	17.50	IVR A-/ Stable
Cash Credit 2	-	-	-	5.50	IVR A-/ Stable
Cash Credit 3	-	-	-	12.50	IVR A-/ Stable
Cash Credit 4	-	-	-	20.00	IVR A-/ Stable
Cash Credit 5	-	-	-	10.00	IVR A-/ Stable
Cash Credit 6	-	-	-	10.00	IVR A-/ Stable



Press Release

Cash Credit 7	-	-	-	5.00	IVR A-/ Stable
Bank Guarantee 1	-	-	-	50.50	IVR A2+
Bank Guarantee 2	-	-	-	44.50	IVR A2+
Bank Guarantee 3	-	-	-	90.00	IVR A2+
Bank Guarantee 4	-	-	-	34.50	IVR A2+
Bank Guarantee 5	-	-	-	90.00	IVR A2+
Bank Guarantee 6	-	-	-	90.00	IVR A2+
Bank Guarantee 7	-	-	-	20.00	IVR A2+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Velji-Ratna-dec24.pdf>

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

Name of the Security	Detailed Explanation
Financial Covenant	
i.	
ii.	
Non-financial Covenant	
i.	
ii.	

Annexure 4: List of companies considered for Combined analysis:

Name of the company	Relationship	Shareholding as on March 31, 2024	Consolidation Approach
Velji Ratna Sorathia Infra Private Limited	-	-	-
4S Highways Private Limited	Subsidiary	99.99%	Combined
Bhojpur Mahadev Private Limited	Subsidiary	100%	Combined
Suwasara Bhanpura Highway Private Limited	Subsidiary	100%	Combined

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.