



Press Release

Vijay Kumar Mishra Construction Private Limited

October 21, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	33.53	IVR BBB+/ Stable (IVR Triple B plus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	115.80	IVR A2 (IVR A two)	Assigned	Simple
Total	149.33 (INR One hundred forty- nine crore and thirty-three lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Vijay Kumar Mishra Construction Private Limited (VKMCPL) derives strength from its long experience of promoters and established track record of operations, reputed client profile leading to low counterparty risk, healthy order book reflecting satisfactory revenue visibility, steady improvement in its scale of operations and profitability, comfortable capital structure and satisfactory debt protection metrics and government's thrust on infrastructure. However, the ratings are constrained on account of its susceptibility of profitability to volatile input prices, presence in a highly competitive industry and tender driven nature of the business and high geographical and sectoral concentration risks.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity.
- Sustenance of the capital structure with improvement in debt protection metrics.
- Timely and proper execution of existing order book and diversification in regional presence.



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Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile on a sustained basis.
- Moderation in the capital structure with moderation in the overall gearing to over 1x
- Increase in working capital intensity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long experience of promoters and established track record of operations

The promoters of the company have 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.

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 like the Water Resource Department (Madhya Pradesh), Public Works Department, Madhya Pradesh Road Development Corporation Limited, Madhya Pradesh State Industrial Development Corporation (MPSIDC) etc. Since the client base of the company is majorly Government departments, the counterparty risk remains low.

Healthy order book reflecting satisfactory revenue visibility

VKMCPL order book stood at around Rs. 724.95 crore as on September 19, 2022, i.e., 2.81 times of its FY22 total operating income (i.e., Rs.257.87 crore) which provides adequate revenue visibility in the near to medium term. Further, the company is at L1 position for order worth of Rs. 602.34 crore as on September 19, 2022 where the management is hopeful of getting the orders upon submission of performance guarantee. 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.



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Steady improvement in its scale of operations and profitability

The topline and profitability of the company has improved consistently in the past few years, it generated a total operating income of Rs.183.95 crore in FY21 and Rs.257.87 crore in FY22 respectively witnessing a y-o-y growth of ~43% in FY21 and ~40% in FY22 driven by execution of the existing order and procurement of new tenders from different government agencies. Consequently, the company has generated absolute PAT of Rs. 12.93 crore in FY21 and Rs. 19.04 crore in FY22 witnessing an increase of ~26% in FY21 and ~73% in FY22. Improvement in profitability has also helped the company to enhance its cash accruals from Rs.10.97 crore in FY21 to Rs.15.61 crore in FY22.

Comfortable capital structure and satisfactory debt protection metrics

The capital structure of the company had remained comfortable with its satisfactory net worth base supported by its low reliance on external debt. Total debt of the company has increased to Rs 35.89 crore as on March 31, 2022, from Rs 27.48 crore as on March 31, 2021, on account of avilment of term loan. However, TNW has witnessed a significant growth consistently on the back of increasing profit and healthy accretion of reserves, it stood at Rs. 53.74 crore as on March 31, 2022 and Rs. 39.00 crore as on March 31, 2021 as against Rs. 29.53 crore as on March 31, 2020. Consequently, the overall gearing has witnessed a steady improvement from 0.89 times as on March 31, 2020 to 0.70 times as on March 31, 2021 and 0.67 times as on March 31, 2022. Overall indebtedness of the company marked by TOL/TNW has improved and stood below unity at 0.92 times as on March 31, 2022, against 1.01 times as on March 31, 2021.

Government thrust on infrastructure

The infrastructure sector has seen some major developments, investments and support from the government in the recent past. In Union Budget 2022-23, The government has given a massive push to the infrastructure sector by allocating Rs. 10 lakh crore to enhance the infrastructure sector. VKMCPL with more than two decades of multidisciplinary experience in executing projects in civil infrastructure development is likely to be benefitted in near to medium term by the increased thrust of the government in developing infrastructure.



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Key Rating Weaknesses

Susceptibility of profitability 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 profitability remains susceptible to fluctuation in input prices. However, presences of escalation clause in most of the contracts imparts comfort to an extent.

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 key to achieving growth in revenues and profits. Business certainty is dependent on the ability to successfull bid for the tenders as entire business is tender based. The domestic infrastructure/construction sector is highly fragmented with presence of many players with varied statures & capabilities. 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, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.

High geographical and sectoral concentration risks

The major portion of the company's revenues and the current order book are concentrated in Madhya Pradesh. 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 VKMCPL to high geographical concentration risk. Moreover, the company also remains exposed to high sectoral concentration risk with operations primarily limited to construction of pipeline and bridges.

Analytical Approach: Standalone

Applicable Criteria

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning rating outlook](#)



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Liquidity – Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals to meet the term debt repayment in the period FY23-FY25. Further, on the back of its comfortable capital structure, the company has adequate gearing headroom. Average working capital utilisation was comfortable at 67% during last 12 months ending in August 2022, which imparts satisfactory liquidity buffer. Absence of any debt funded capex provides further comfort to the liquidity position.

About the Company

Incorporated in February 2004, Madhya Pradesh-based, Vijay Kumar Mishra Construction Private Limited (VKMCPL) is promoted by Mr. Vijay Kumar Mishra and family. The company is engaged in civil construction works primarily in Madhya Pradesh. It majorly undertakes Government contracts. The promoters have around two decades of multidisciplinary experience in executing projects in civil infrastructure development for micro irrigation, pipelines, dams, canal, railway over bridges, flyovers, roads, telecom, railway, coal and BOT segments.

Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31.03.2021	31.03.2022
	Audited	Audited
Total Income	185.87	260.22
EBIDTA	15.35	22.03
PAT	9.47	16.42
Total Debt	27.48	35.89
Tangible Net Worth	39.00	53.74
EBDITA Margin (%)	8.34	8.54
PAT Margin (%)	5.10	6.31
Overall Gearing Ratio (x)	0.70	0.67

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	5.35	IVR BBB+/Stable	-	-	-
2.	GECL	Long Term	3.00	IVR BBB+/Stable	-	-	-
3.	Cash Credit	Long Term	10.00	IVR BBB+/Stable	-	-	-
4.	Overdraft	Long Term	15.18	IVR BBB+/Stable	-	-	-
5.	Bank Guarantee	Short Term	112.80	IVR A2	-	-	-
6.	Letter of Credit	Short Term	3.00	IVR A2	-	-	-

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About Infomerics:

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.



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

For more information visit 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
Cash Credit 1	-	-	-	9.00	IVR BBB+/ Stable
Cash Credit 2	-	-	-	1.00	IVR BBB+/ Stable
Overdraft 1	-	-	-	4.00	IVR BBB+/ Stable
Overdraft 2	-	-	-	2.00	IVR BBB+/ Stable
Overdraft 3	-	-	-	5.00	IVR BBB+/ Stable
Overdraft 4	-	-	-	4.18	IVR BBB+/ Stable
Term Loan	-	-	FY24	5.35	IVR BBB+/ Stable
Guaranteed Emergency Credit Line 1	-	-	FY25	1.80	IVR BBB+/ Stable



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Guaranteed Emergency Credit Line 2	-	-	FY28	1.20	IVR BBB+/ Stable
Bank Guarantee 1	-	-	-	35.50	IVR A2
Bank Guarantee 2	-	-	-	28.30	IVR A2
Bank Guarantee 3	-	-	-	33.00	IVR A2
Bank Guarantee 4	-	-	-	16.00	IVR A2
Letter of Credit 1	-	-	-	1.50	IVR A2
Letter of Credit 2	-	-	-	1.50	IVR A2

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Vijay-Kumar-oct22.pdf>

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.