



Press Release

Vijay Kumar Mishra Construction Private Limited

December 21, 2023

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	46.53 (Including proposed limit of Rs.20.52 crore)	IVR BBB+/ Stable (IVR Triple B plus with Stable outlook)	Reaffirmed	Simple
Short Term	227.80 (Including proposed limit of Rs.108.00 crore)	IVR A2 (IVR A Two)	Reaffirmed	Simple
Total	274.33 (INR Two Hundred Seventy Four Crore and Thirty Three Lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Vijay Kumar Mishra Construction Private Limited (VKMCPL) continues to derive comfort from its experienced management and established track records of operations, reputed client profile, leading to low counterparty risk and comfortable financial risk profile of the company. The ratings are also supported by continuous improvement in its scale of operations and profitability, healthy order book position reflecting satisfactory revenue visibility and comfortable capital structure and satisfactory debt protection metrics. However, these rating strengths are constrained due to susceptibility of profitability to volatile input prices, high geographical and sectoral concentration risks and presence in a highly competitive industry and tender driven nature of the business.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income and profitability leading to improvement in cash accruals and debt protection metrics.
- Geographically diversification of its orderbook position and timely execution of existing order book and diversification in regional presence.



Press Release

- Sustenance of the capital structure with improvement in debt protection metrics.

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 and liquidity position of the company.
- Increase in working capital intensity with elongation in its operating cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management and established track records of operations

The promoter of the company, Mr. Vijay Kumar Mishra (Managing Director) have longstanding 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. The company's day-to-day operations are looked after by Mr. Vijay Kumar Mishra, Mr. Arvind Kumar Mishra, Mr. Vineet Mishra and Mr. Vikash Mishra are directors of the company along with a team of experienced professionals. The company has established its track record of operations since 2004 and demonstrated its ability to execute large projects.

Reputed client profile, leading to low counterparty risk

The company's current pending order book comprises micro irrigation, road and civil constructions and infrastructure projects awarded mainly by Government departments. Over the years, the company has executed several civil construction projects for various government departments and entities like 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.

Comfortable financial risk profile

The financial risk profile of the company has remained comfortable in FY23 marked by improvement in scale of operations, comfortable profitability, healthy net worth base and



Press Release

debt coverage indicators. The Company's total operating income has registered a growth of 31.06 % from Rs. 257.87 Crs in FY22 to Rs. 337.98 Crs in FY23 and PAT has also increased from Rs 16.42 Crs in FY22 to Rs 18.00 Crs in FY 23. The TNW of the company stood healthy at Rs.72.22 crore as on 31st March 20223 compared to Rs.53.74 Crs as on 31st March 2022 . Interest coverage ratio (ISCR) and debt service coverage ratio (DSCR) of the company are comfortable at 5.28 times and 2.98 times respectively in FY23.

Continuous improvement in its scale of operations and profitability

The total operating income and profitability of the company has improved consistently in the past few years with a y-o-y growth of ~40% in FY22 and ~31% in FY23 driven by execution of the existing order and procurement of new tenders from different government agencies. Consequently, PAT have witnessed an increase of ~73% in FY22 and ~9% in FY23. 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 and Rs.21.51 crore in FY23.

Healthy order book reflecting satisfactory revenue visibility

VKMCPL order book stood at around Rs. 2685 crore as on November 30, 2023, i.e., 7.95 times of its FY23 total operating income which provides adequate revenue visibility in the near to medium 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.

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 42.90 crore as on March 31, 2023 from Rs 36.17 crore as on March 31, 2022, on account of availing equipment loans. However, TNW has witnessed a significant growth consistently on the back of increasing profit and healthy accretion of reserves, it stood at Rs. 72.22 crore as on March 31, 2023. Consequently, the overall gearing has witnessed a steady improvement from 0.67 times as on March 31, 2022 to 0.59 times as on March 31, 2023. Total indebtedness of the company marked by TOL/TNW has remained moderate at 1.03 times as on March 31, 2023, against 0.92 times as on March 31, 2022.



Press Release

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.

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 micro irrigation projects construction of bridges.

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 successful bid for the tenders as the entire business is tender based. The domestic infrastructure/construction sector is highly fragmented with the 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, a 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.

Analytical Approach: Standalone

Applicable Criteria

[Rating Methodology for the Infrastructure Companies](#)

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

[Criteria for assigning rating outlook](#)



Press Release

Liquidity – Adequate

The liquidity position of the Company remained adequate as reflected gross cash accruals of Rs. 21.51 crore in FY23 as against maturing debt obligations of around ~ Rs. 4.72 crores and it is expected to remain adequate in the near to medium term driven by sufficient cushion in its expected accruals as compared to debt repayment obligation FY24-26. Moreover, the company has no major near term capex plan, which imparts comfort. Besides, its average working capital utilisation stood comfortable at 53% for the past 12 months ended November 2023, indicating a moderate liquidity buffer. Liquidity is also supported by a comfortable ISCR & DSCR of 5.28 times and 2.98 times respectively in FY 23. Cash and bank balances stood comfortable at Rs.1.17 Crs as on March 31st, 2023. The current ratio stood also comfortable at 2.10 times in FY23.

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)	
	31.03.2022	31.03.2023
	Audited	Audited
Total Income	257.87	337.98
EBIDTA	22.03	30.62
PAT	16.42	18.00
Total Debt	36.17	42.90
Tangible Net Worth	53.74	72.22
EBDITA Margin (%)	8.54	9.06
PAT Margin (%)	6.31	5.27
Overall Gearing Ratio on TNW (X)	0.67	0.59
Interest Coverage Ratio (X)	5.42	5.28

**Classification as per Infomerics' standards*



Press Release

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Current 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
					Oct 21, 2022	-	-
1.	Term Loan	Long Term	6.00*	IVR BBB+/Stable	IVR BBB+/Stable	-	-
2.	GECL	Long Term	5.51	IVR BBB+/Stable	IVR BBB+/Stable	-	-
3.	Cash Credit	Long Term	25.52**	IVR BBB+/Stable	IVR BBB+/Stable	-	-
4.	Overdraft	Long Term	9.50	IVR BBB+/Stable	IVR BBB+/Stable	-	-
5.	Letter of Credit	Short Term	3.00	IVR A2	IVR A2	-	-
6.	Bank Guarantee	Short Term	224.80***	IVR A2	IVR A2	-	-

* Including proposed Term Loan of Rs. 6.00 crore

**including proposed Cash Credit of Rs. 14.52 crore

***including proposed Bank Guarantee of Rs. 108.00 crore

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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



Press Release

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Press Release

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	-	-	-	2.00	IVR BBB+/ Stable
Overdraft 1	-	-	-	5.50	IVR BBB+/ Stable
Overdraft 2	-	-	-	2.00	IVR BBB+/ Stable
Overdraft 3	-	-	-	2.00	IVR BBB+/ Stable
Proposed Cash Credit	-	-	-	14.52	IVR BBB+/ Stable
GECL 1	-	-	Jul 2024	2.28	IVR BBB+/ Stable
GECL 2	-	-	Jan 2025	2.03	IVR BBB+/ Stable
GECL 3	-	-	Jan 2028	1.20	IVR BBB+/ Stable
Proposed Term Loan	-	-	-	6.00	IVR BBB+/ Stable
Letter of Credit 1	-	-	-	1.50	IVR A2
Letter of Credit 2	-	-	-	1.50*	IVR A2
Bank Guarantee 1	-	-	-	42.50	IVR A2
Bank Guarantee 2	-	-	-	3.00	IVR A2
Bank Guarantee 3	-	-	-	38.30**	IVR A2
Bank Guarantee 4	-	-	-	33.00@	IVR A2
Proposed Bank Guarantee	-	-	-	108.00	IVR A2

#WCDL of Rs.7.20 crore is Sublimit of Cash Credit.

*Bank Guarantee/Inland Foreign of Rs.1.50 Crs is sub limit of Letter of Credit

** Bank Guarantee/Inland Foreign of Rs.13.00 Crs is Sublimit of Performance Bank Guarantee

@ Financial Bank guarantee of Rs.20.00 Crs is sublimit of Bank Guarantee

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-vkmc-dec23.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.