

Press Release

Vishvaraj Infrastructure Limited

January 02, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	75.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	100.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.100.00 Cr bank facilities of Vishvaraj Infrastructure Limited (VIL). The outlook is '**Stable**'.

Rationale for Rating Assigned

The rating assigned factors the extensive experience of management, established track record of operations and moderate financial risk profile of VIL. VIL is largely engaged in executing engineering, procurement and construction work for its sister company Vishvaraj Environment Private Limited (VEPL) (rated ACUITE A-/Stable/A2+). The rating also factors its high working capital intensity which is inherent to the business, particularly the realisation of receivables. Execution of contracts on a timely basis and within budget costs remains a key monitorable.

About the Company

Vishvaraj Infrastructure Limited (VIL), a part of the Vishvaraj Group, was incorporated in 1992 as Vishvaraj Housing Company Private Limited (VHCPL). During 1999, VHCPL was acquired by Mr. Arun Lakhani and Mrs. Vandana Lakhani and reconstituted as a closely held public limited company in 2000. VIL is headquartered at Nagpur with its registered office in Mumbai, Maharashtra. VIL invests in Public Private Partnership (PPP) infrastructure projects and is also engaged in Execution, Procuring and Construction (EPC). work for the same projects. VIL primarily executes infrastructure development projects in three segments i.e. water, waste water management and road and highways procured by the Vishvaraj Group of Companies.

Analytical Approach

Acuite has considered standalone business and financial risk profile of VIL and has notched up the standalone rating of VIL by factoring in the operational and financial linkages between VEPL and VIL.

Key Rating Drivers

Strengths

> Experienced management and long track record of operations

Incorporated in 1992, VIL is managed by Mr. Arun Lakhani along with a team of well qualified and experienced professionals. The team lead by Mr. Arun Lakhani has been in the infrastructure industry for more than two decades. VIL is a part of Vishvaraj Group, which is primarily engaged in the infrastructure development business under Public Private Partnership ("PPP") model in Road and Highways, Water & Waste Water sectors. The Group is owned by Mr. Arun Lakhani and his family vide their holding arm Premier Financial Services Limited (PFSL). VIL is primarily engaged in undertaking EPC contracts for its group entity Vishvaraj Environment Private Limited (VEPL) (rated ACUITE A-/Stable/A2+) in the water and waste water segment. It also has investments in the SPVs of the group belonging to the Road and Highways segments.

The operating income of the Company stood at Rs. 72.34 Cr in FY2022 as against Rs.50.14 Cr in FY2021 and Rs.213.05 Cr in FY2020. Till FY2020, the operating income included income earned from water and waste water segments, which was demerged into VEPL March 2020 onwards.

As on November 2022, VEPL has confirmed EPC orderbook of Rs.2229 Cr. For all these orders, VEPL has subcontracted construction and material procurement to VIL. The total orderbook value of VIL as on date stands at approx. Rs.448 Cr, which is estimated to be earned over the medium term.

Acuité believes that VEPL will continue to benefit from the extensive experience of its promoter and established track record of operations.

> Moderate financial risk profile

The financial risk profile of the Company is moderate marked by moderate net-worth, low gearing and comfortable debt protection metrics. The tangible net-worth of the Company stood at Rs.150.98 Cr as on March 31, 2022 as against Rs.147.62 Cr as on March 31, 2021 and Rs.180.55 Cr as on March 31, 2020. The decline in networth of Rs.32.96 Cr in FY21 is on account of adjustment to reserves under the scheme of demerger. The total debt stood at Rs. 46.46 Cr as on March 31, 2022 (Prov.) includes Rs.28.08 Cr of loan from related parties and Rs.18.18 Cr of short term debt from bank and others. The overall gearing of the Company stood at 0.31 times as on March 31, 2022 as against 0.27 times as on March 31, 2021 and 0.35 times as on March 31, 2020. The debt protection metrics is modest marked by interest coverage ratio of 1.82 times in FY2022 as against 1.85 times in FY2021 and 1.22 times in FY2020. NCA to Total Debt and Debt to EBITDA ratio stood at 0.08 times and 4.18 times for FY2022 as against 0.05 times and 6.94 times for FY2021 and 0.06 times and 2.30 times for FY2020 respectively.

Weaknesses

> Working capital intensive nature of operations:

The operations of VIL are working capital intensive in nature marked by gross current asset days of 480 days as on March 31, 2022 as against 792 days as on March 31, 2021 and 267 days as on March 31, 2020. The GCA days are elongated on account of stretched receivables, the receivable days stood at 366 days as on March 31, 2022 (Prov.) as against 442 days as on March 31, 2021 and 186 days as on March 31, 2020. However, 96 percent of the receivables are dues from related parties with 79 percent aged less than 180 days, indicating a significant proportion of revenue being booked in second half of the year. The Company maintains inventory of 25-40 days which largely includes trading stock. The creditor days including dues payable to sub-contractors and raw material supplying entities, stretched to 119 days as on March 31, 2022 as against 228 days as on March 31, 2021 and 65 days as on March 31, 2020.

Rating Sensitivities

- > Execution of key orders in hand without significant time or cost overruns
- > Efficient management of its working capital cycle

Material covenants

None

Liquidity Position

Adequate

The liquidity position of VIL is adequate marked by moderate net cash accruals against nil repayment obligations. The net cash accruals of the Company stood at Rs. 4.36 Cr and Rs. 2.12 Cr for FY2022 and FY2021 respectively against negligible repayment obligations. The net cash accruals are estimated to range between Rs.4 -9 Cr during the period FY23-24 against negligible repayment obligations. The gross cash accrual days stood at 480 days as on March 31, 2022. The average bank limit utilisation ranged between 35-50% for the twelve months ended October, 2022. Acuite believes that the liquidity of the Company is likely to remain moderate over the medium term on account of moderate expected cash accruals against no debt repayments.

Outlook: Stable

Acuite believes that VIL is likely to continue to benefit over the medium term on account of the company's established market position and extensive experience of its promoters. The outlook may be revised to 'Positive' if the company is able to demonstrate significant and sustained improvement in its working capital management, specifically its receivable position. Conversely, the outlook may be revised to 'Negative' if the company is not able to sustain its scale of operations at the current levels, most likely as a result of reduced inflow of executable orders through its group concerns.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	72.34	50.14
PAT	Rs. Cr.	3.29	1.83
PAT Margin	(%)	4.55	3.64
Total Debt/Tangible Net Worth	Times	0.31	0.27
PBDIT/Interest	Times	1.82	1.85

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Sep 2021	Term Loan	Long Term	98.00	ACUITE B+ (Withdrawn)
	Bank Guarantee	Short Term	75.00	ACUITE A4 (Withdrawn)
	Working Capital Demand Loan	Long Term	8.60	ACUITE B+ (Withdrawn)
	Cash Credit	Long Term	33.00	ACUITE B+ (Withdrawn)
05 Mar 2021	Bank Guarantee	Short Term	75.00	ACUITE A4 (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	98.00	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Working Capital Demand Loan	Long Term	8.60	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	33.00	ACUITE B+ (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	75.00	ACUITE A3 Assigned
Abhyudaya Cooperative Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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