

Press Release

Vinnav Infrateck Private Limited (VIPL)

July 22, 2019

Rating Reaffirmed & Assigned



| | |
|------------------------------------|--|
| Total Bank Facilities Rated | Rs. 9.50 crore (Enhanced for Rs.8.75 crore) |
| Long Term Rating | ACUITE B/ Stable (Reaffirmed & Assigned) |
| Short Term Rating | ACUITE A4 (Reaffirmed & Assigned) |

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long term rating of '**ACUITE B**' (read as **ACUITE B**) and reaffirmed and assigned short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to bank facilities of Rs.9.50 crore of Vinnav Infrateck Private Limited. The outlook is '**Stable**'.

Vinnav Infrateck Private Limited (VIPL) was established in 1995 as a proprietorship concern and converted to private limited in 2012. The company, led by Mr. Giriraju Pathapati and Ms. Vandana Narayana Raju Kondoor, is engaged in construction work and caters to the Karnataka government. The registered office is located at Bangalore, Karnataka.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of VIPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

The Directors of VIPL, Mr. Giriraju Pathapati and Mr. Vandana Narayana Raju Kondoor have extensive experience of over two decades in the construction and infrastructure industry.

Weaknesses

Average financial risk profile

The financial risk profile of the company is marked by low Net worth, high gearing and comfortable debt protection metrics. The net worth of the company stood low at Rs 3.17 crore in FY2019 (Prov.) as increased from Rs. 2.69 crore in FY2018, mainly on account accumulated profit. The gearing of the company stood high at 2.01 times in FY2019 (Prov.) as compared to 2.43 times in FY2018. The total debt of Rs. 6.37 crore consist of short term debt of Rs.3.47 and unsecured loan from promoters of Rs. 2.90 as on 31st March 2019 (Prov.). The interest coverage ratio (ICR) of the company stood comfortable at 2.34 times in FY2019 (Prov.) as compared to 1.58 times in FY2018. The debt service coverage ratio (DSCR) of the company stood healthy at 2.03 times in FY2019 (Prov.) as compared to 1.58 times in FY2018. The net cash accruals against the total debt stand moderate at 0.09 times in FY2019 (Prov.) as compared to 0.05 times in FY2018.

Working capital intensive nature of operation

Operations of the company were working capital intensive which is evident from high GCA days of 288 days in FY2019 (Prov.) as against 305 days in FY2018. This is mainly on account of high collection period which stood at 173 days and 161 days for FY2019 (Prov.) and FY2018 respectively. This high GCA is also emanates from high other current asset of Rs.4.65 crore in FY2019 (Prov.).

Liquidity Position

The company has stretched liquidity marked by moderate net cash accruals of Rs.0.56 crore in FY2019 (Prov.) as compared to Rs.0.31 crore in the previous year. The stretched liquidity of the company has also marked by 90-95 per cent utilization of working capital limit. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 288 in FY 2019 (Prov.).

Outlook: Stable

Acuite believes VIPL will continue to benefit over the medium term from its long track record of operation. The outlook may be revised to 'Positive' in case the firm registers higher -than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues, or in case of further deterioration in the firm's financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY19 (Prov.) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|--------------|---------------|---------------|
| Operating Income | Rs. Cr. | 16.11 | 15.20 | 17.16 |
| EBITDA | Rs. Cr. | 1.22 | 0.80 | 0.80 |
| PAT | Rs. Cr. | 0.48 | 0.19 | 0.24 |
| EBITDA Margin | (%) | 7.58 | 5.23 | 4.67 |
| PAT Margin | (%) | 2.96 | 1.22 | 1.43 |
| ROCE | (%) | 12.63 | 8.84 | 10.64 |
| Total Debt/Tangible Net Worth | Times | 2.01 | 2.43 | 1.66 |
| PBDIT/Interest | Times | 2.34 | 1.58 | 1.98 |
| Total Debt/PBDIT | Times | 5.03 | 7.85 | 5.39 |
| Gross Current Assets (Days) | Days | 288 | 305 | 137 |

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructures Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr) | Ratings/Outlook |
|-------------|---------------------------------|------------|-----------------|----------------------------|
| 11-Sep-2018 | Cash Credit | Long Term | 3.00 | ACUITE B (Indicative) |
| | Proposed Cash Credit | Long Term | 1.25 | ACUITE B (Indicative) |
| | Bank Guarantee | Short Term | 4.50 | ACUITE A4 (Indicative) |
| 31-Jul-2017 | Cash Credit | Long Term | 3.00 | ACUITE B/Stable (Assigned) |
| | Proposed Cash Credit | Long Term | 1.25 | ACUITE B/Stable (Assigned) |
| | Bank Guarantee | Short Term | 4.50 | ACUITE A4 (Assigned) |

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue | Ratings/Outlook |
|-------------------------|------------------|----------------|----------------|-------------------|------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 3.25 | ACUITE B/Stable (Reaffirmed) |
| Proposed Cash Credit | Not Applicable | Not Applicable | Not Applicable | 0.25 | ACUITE B/Stable (Reaffirmed) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 5.50 | ACUITE A4 (Reaffirmed) |
| Proposed Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 0.50 | ACUITE A4 (Assigned) |

Contacts:

| Analytical | Rating Desk |
|--|---|
| Pooja Ghosh Head– Corporate and Infrastructure Sector Tel: 033-66201203 pooja.ghosh@acuite.in Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in | Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in |

About Acuite Ratings & Research:

Acuite Ratings & Research Limited (erstwhile SMERA Ratings Limited)

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