

Press Release

Vinnav Infrateck Private Limited

October 13, 2020

Rating Upgraded & Reaffirmed



Total Bank Facilities Rated*	Rs. 9.50 Cr.
Long Term Rating	ACUITE B+/Stable (Upgraded)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE B+**' (**read as ACUITE B plus**) from '**ACUITE B**' (**read as ACUITE B**) and reaffirmed the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.9.50 crore of bank facilities of Vinnav Infrateck Private Limited. The outlook is '**Stable**'.

The rating upgrade reflects the company's increase in its revenue levels and improvement in its gearing levels. The revenue of the company has improved to Rs.30.13 crore in FY20 (Prov.) as compared to Rs.10.55 crore in the previous year. Also, the gearing levels have decreased from 2.68 times as on March 31, 2020 (Prov.) to around 1.23 times as on March 31, 2020 (Prov.). Acuité believes that the company will sustain the growth momentum in their topline levels on account of the healthy unexecuted order book of Rs.33.79 crore as on 31st July 2020.

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 the construction work and caters mainly to the Karnataka government.

Analytical Approach:

Acuité has considered the standalone business and financial risk profile of VIPL while arriving 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. Acuité believes that the company will continue to benefit from its promoters' extensive industry experience and healthy relationship with customers over the medium term.

Moderate profitability

The operating profitability margin of the company stood moderate at 5.58 per cent in FY20 (Prov.) as against of 6.26 per cent in the previous year. However, the operating profitability of the company has declined on account of increase in job work expenses during the period.

The net profit margin of the company stood comfortable at 3.18 per cent in FY20 (Prov.) as compared to 0.85 per cent in the previous year.

Weaknesses

Below average financial risk profile

The financial risk profile of the company is marked by low net worth, moderate gearing and comfortable debt protection metrics. The net worth of the company stood low at Rs.3.75 crore in FY 2020 (Prov.) as compared to Rs 2.79 crore in FY2019. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company stood moderate at 1.23 times as on March 31, 2020 (Prov.) when compared to 2.68 times as on March 31, 2019. This improvement in gearing is mainly on account of improvement in networth of the company during the period and repayment of unsecured loan from promoters. Interest coverage ratio (ICR) is healthy and stood at 4.59 times in FY2020 (Prov.) as against 1.45 times in FY 2019. The debt service coverage ratio (DSCR) of the company also stood healthy at 3.69 times in FY2020 (Prov.) as compared to 1.36

times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.22 times in FY2020 as compared to 0.02 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain below average backed by no major debt-funded capex plan over the medium term and moderate net cash accruals.

Working capital intensive nature of operation

The working capital intensive nature of operation marked by high gross current asset (GCA) days of 201 days in FY2020 (Prov.) as compared to 484 days in the previous year. The debtor days of the company stood high at 102 days in FY2020 (Prov.) as compared to 298 days in the previous year. The inventory days of the company stood comfortable at 1 day in FY2020 (Prov.) and FY2019 respectively. The high GCA days of the company also emanates from the other current asset of Rs.4.66 crore in FY20 (Prov.).

Rating Sensitivity

- Scaling up of operations while stabilizing their profitability margin.
- Deterioration in the capital structure.
- Working capital management

Material Covenant

None

Liquidity Position: Stretched

The company has stretched liquidity, marked by high Gross Current Asset (GCA) days at 201 days in FY2020 (Prov.) as compared to 484 days in the previous year. The bank limit is ~95 per cent utilised by the company for the last six months ended July 2020. The current ratio of the company stood moderate at 1.34 times as on March 31, 2020 (Prov.). However, the liquidity of the company supported by the net cash accruals in FY2020 (Prov.) of Rs.1.01 crore as against nil yearly debt obligations. The cash accruals of the company are estimated to remain in the range of around Rs. 0.53 crore to Rs. 1.26 crore during 2021-23 against Rs.0.57 crore repayment obligations in FY2022 and in FY2023 respectively. The liquidity of the company is also supported by the unencumbered cash balance of Rs.3.42 crore in FY2020 (Prov.). Moreover, the company has availed of loan moratorium till August 2020 for CC and also availed COVID emergency fund of Rs.1.13 crore. The said loan is to be repaid over a period of 24 months, including 6 months of moratorium. Hence, Acuité believes that this short term funding will further ease the liquidity position of the company. Acuité believes that the liquidity of the company is likely to remain moderate over the medium term on account of low cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuité 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 expected revenues, or in case of further deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Prov.)	FY19 (Actual)
Operating Income	Rs. Cr.	30.13	10.55
PAT	Rs. Cr.	0.96	0.09
PAT Margin	(%)	3.18	0.85
Total Debt/Tangible Net Worth	Times	1.23	2.68
PBDIT/Interest	Times	4.59	1.45

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 Entities – <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
22-July-2019	Cash Credit	Long Term	3.25	ACUITE B/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	0.25	ACUITE B/Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.50	ACUITE A4 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	0.50	ACUITE A4 (Assigned)
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 (Upgraded)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE B+/Stable (Upgraded)
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 (Reaffirmed)

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About Acuité Ratings & Research:

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