

Press Release

VISHNUSURYA PROJECTS AND INFRA PRIVATE LIMITED

May 02, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs. 8.50 crore bank facilities of VISHNUSURYA PROJECTS AND INFRA PRIVATE LIMITED (VPIPL). The outlook is '**Stable**'.

VPIPL was incorporated in 1996. It was previously known as Vishnusurya Logistics Private Limited and later renamed as Vishnusurya Projects and Infra Private Limited. The company is engaged into civil construction work and mining business.

The mining division owns and operates captive mines with crushers used for manufactures sand. It owns 51.35 acres of land in Arrupukotai, Virudhnagar district and is engaged in mining of rough stones and production & sales of Aggregates and manufactured sand thereof.

VPIPL has also been working as a sub-contractor for civil construction work for its associate company, Agni Estates and Foundations Private Limited. The company has also undertaken sub-contracting work for government housing projects and other big infrastructure players. The company plans to undertake independent projects for civil construction work in the future.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of VPIPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced Management and long track of operations

VPIPL has been in the mining and quarrying business for more than 2 decades. The long track record of the operations has helped management to develop healthy relations with suppliers and reputed customers such as Larsen & Toubro Limited. The company has also supplied boulders and manufactured sand to its group company Agni Estates and Foundations Private Limited for real estate development projects. The mines owned by the company have a healthy life for extraction for the near to medium future. VPIPL has also undertaken civil construction work projects on a sub-contracting basis for its associate companies and other infra players. Acuité believes that experience of the promoters and their long track of operations will help the business risk profile of the company in the near to medium future.

• Moderate financial risk profile and healthy profitability metrics

Currently, 70 percent revenue of VPIPL comes from mining and quarrying activities and the remaining 30 percent comes from sub-contracting of civil construction work undertaken. The company recorded a 117 percent increase in terms of revenue in FY2018. Revenue figures stood at Rs.53.49 crore for FY2018 as against Rs.24.56 crore for FY2017. The operating margins improved to 16.67 percent for FY2018 as against 14.46 percent for FY2017. The company recorded an average RoCE of 16.71 times for three years ending March 2018. The net profit margins of the firm stood healthy at 6.68 per cent in FY2018. The healthy profit margins have resulted in cash accruals to the tune of ~ Rs.8.21 crore in the last two financial years (FY2017 and FY2018).

The financial risk profile is moderate marked by moderate net worth and debt protection measures and low gearing. The net worth of the company is moderate at around Rs.10.30 crore as on 31 March, 2018 as against Rs.6.72 crore as on 31 March, 2017. The improvement in net worth is on account of accretion to reserves. The company has followed a moderately aggressive financial

policy as reflected by peak gearing of 2.19 times over the last three years through 2017-18. The gearing of the company has further improved to around 1.44 times as on March 31, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.46 times as on 31 March, 2018 as against 4.68 times as on 31 March, 2017.

The healthy revenue levels coupled with stable operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR) remained moderate at 5.61 times in FY2018 and 2.99 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.40 times as on 31 March, 2018 as against 0.15 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.91 times for FY2018 as against 1.19 times in FY2017. Acuité believes that the financial risk profile of VPIPL will continue to remain moderate over the medium term on account of its improving scale of operations and moderately aggressive financial policy.

Weaknesses

• Competitive industry

Mining and quarrying activities and sand manufacturing industry is a competitive industry marked by numerous organized and unorganized players. This industry is also under intense scrutiny from the government to ensure fair trading practices. Any change in the regulatory framework is expected to affect business and financial risk profile of VPIPL.

Civil construction industry is also marked by many players which makes it intensely competitive. VPIPL is exposed to the uncertainty with regards to winning of tenders and faces competition from regional and national players too. Acuité believes the experience of the promoters and well established relations over the years will help VPIPL to mitigate these risks to an extent.

Liquidity Position

VPIPL has adequate liquidity. The company generated cash accruals of Rs.1.03-5.99 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.50 – 1.50 crore over the same period. The cash accruals of the company are estimated to remain comfortable to meet its repayment obligations during 2019-21. The cash credit limit in the company remains utilized up to 100 percent during the last 6 months period ended February 2019. The company maintains unencumbered cash and bank balances of Rs.2.35 crore as on March 31, 2018. The current ratio of the company stands modest at 0.76 times as on March 31, 2018.

Outlook: Stable

Acuité believes that VPIPL will maintain 'Stable' outlook over the medium term on the back of experienced management and sustaining growth in revenue. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues along with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	53.49	24.56	8.01
EBITDA	Rs. Cr.	8.92	3.55	1.46
PAT	Rs. Cr.	3.57	0.06	0.55
EBITDA Margin	(%)	16.67	14.46	18.20
PAT Margin	(%)	6.68	0.25	6.92
ROCE	(%)	28.22	7.94	13.97
Total Debt/Tangible Net Worth	Times	1.44	2.19	1.63
PBDIT/Interest	Times	5.61	2.99	4.85
Total Debt/PBDIT	Times	1.65	4.14	5.99
Gross Current Assets (Days)	Days	103	299	583

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

Not Applicable

Any other information

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None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	6.90	ACUITE BBB- / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE BBB- / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Viren Rangparia Analyst - Rating Operations Tel: 02249294053 viren.rangparia@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

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