

Press Release

Vishal Infrastructure Limited

May 03, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 180.00 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable
Short Term Rating	ACUITE A2

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating of '**ACUITE A2**' (read as **ACUITE A two**) to the Rs. 180.00 crore bank facilities of VISHAL INFRASTRUCTURE LIMITED (VIL). The outlook is '**Stable**'.

VIL is a Bangalore based company incorporated in 1990. The company undertakes various construction projects across India including airport buildings, airport runway, buildings, roads, bridges and flyovers. The company executes for diverse range of industries such as airport sector, defense sector, PSU and other central government undertakings. The clientele of the company includes Airport Authority of India (AAI), Development Research and Development Organization (DRDO), among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Vishal Infrastructure Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The company is in the said line of business since 1990. The Managing Directors, Mr. Milind Kumar Deshpande possess more than three decades of experience in the civil construction industry. Top management is supported by well experienced technical team. The company successfully executed works such as Airport pavement / runway works, Harbor works, Maintenance of State Highway at Hassan District in Karnataka, Construction of Terminal Buildings and Cargo complex at Cochin International Airport Ltd., Laboratory building for IGCAR at Bangalore and High Court annexure Building of Greeco-Roman architecture, runway work at Mangalore Airport, Expansion of Pune Airport terminal building, construction of Apron and Link Taxi Tracks at Chandigarh International Airport among others. Acuité believes that the company will benefit from the experience of the management and long track record of operations in the industry over the medium term.

- **Improvement in revenues and healthy order book**

Revenues of the company improved from Rs.176.26 crore in FY2016 to Rs.295.12 crore in FY2018; this is mainly on account of increase in work orders from the vintage clients, namely, AAI and DRDO. For the 10MFY2019 (From April 2018 to January 2019), the company reported revenues of Rs.245.14 crore and is expecting revenues of Rs.370 crore for FY2019. Further, the company has unexecuted orders worth Rs.513 crore and L1 order of Rs.291 crore as on January 2019 to be executed in the next 18-24 months period, which provides moderate revenue visibility. Acuité believes that with moderate unexecuted orders in hand, the business risk profile is expected to be comfortable over the medium term.

- **Comfortable financial risk profile**

Financial risk profile of the company is comfortable marked by healthy gearing (Debt-Equity), comfortable total outside liabilities to total net worth (TOL/TNW) and debt protection metrics. The gearing (debt-to-equity) stood healthy at 0.45 times as on 31 March, 2018 as against 0.19 times as on 31 March, 2017. TOL/TNW stood comfortable at 1.39 times as on 31 March, 2018 as against 1.34 times as on 31 March, 2017. This was mainly on account of comfortable net worth and moderate reliance on working capital borrowings. Net worth stood at Rs.79.44 crore as on 31 March, 2018 as against Rs.68.99 crore as

on 31 March, 2017. Of the total debt of Rs.35.73 crore as on 31 March, 2018, long term debt stood at Rs.7.01 crore and short term debt stood at Rs.28.72 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) stood comfortable at 3.51 times and 0.41 times in FY2018. The company reported net cash accruals (NCA) of Rs.14.57 crore in FY2018. Cash accruals are expected in the range of Rs.16-20 crore, against the repayment obligations of about Rs.3-4 crore. Acuite believes that with moderate accruals and routine capex of about Rs.3-4 crore, the financial risk profile is expected to improve marginally over the medium term.

Weaknesses

- **Moderate working capital intensive operations**

VIL's operations are moderately working capital intensive marked by high gross current asset (GCA) of 171 days for FY 2018 as compared 146 days for FY 2017. This is mainly on account of high debtor cycle and retention money with the customers. Debtors stood at 94 days in FY2018 as against 78 days in FY2017. High GCA days led to utilisation of its bank lines at about 95 percent for six months through February 2019. To support its operations, the company is stretching its creditors for about three months as on March 31, 2018. Acuite believes that with the increase in scale of revenues, VIL's operations continue to be working capital intensive over the medium term.

- **Competitive and fragmented industry**

VIL is into civil works which is marked by the presence of several mid to large sized players. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts, and susceptibility to inherent cyclicity in the road sector. Further, the company is exposed to client concentration risk as the company is presently executing orders only for AAI and DRRO. Acuite believes that VIL revenues and margins are susceptible to the competitive bidding scenario, besides its clients concentration of its projects, though mitigated partly by geographical diversification.

Liquidity Position:

VIL has moderate liquidity marked by moderate net cash accruals though partly constrained by high bank limit utilisation. VIL reported cash accruals of Rs.14.57 crore for FY2018. The cash accruals of the VIL are estimated to remain at around Rs.15-20 crore during 2019-21, against which its repayment obligations are about Rs.3 crore-4 crore. However, operations are working capital intensive as reflected in high GCA at 171 days in FY2018 from 146 days in FY2017. This resulted in high utilisation of bank limits at over 95 percent for six months through February 2019. The current ratio stood at 1.53 times as on March 31, 2018. Acuite believes that the liquidity of VIL is likely to remain moderate over the medium term.

Outlook: Stable

Acuite believes that VIL will maintain a 'Stable' outlook over the medium term backed by its experienced management and healthy revenue visibility. The outlook may be revised to 'Positive' in case of higher-than-expected growth in its revenues while maintaining its profitability margins and improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or larger-than-expected debt-funded capital expenditure resulting in deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	295.12	282.85	176.26
EBITDA	Rs. Cr.	26.56	24.58	15.96
PAT	Rs. Cr.	11.36	9.34	5.24
EBITDA Margin	(%)	9.00	8.69	9.05
PAT Margin	(%)	3.85	3.30	2.97
ROCE	(%)	24.91	28.49	38.66
Total Debt/Tangible Net Worth	Times	0.45	0.19	0.23
PBDIT/Interest	Times	3.51	3.39	2.54
Total Debt/PBDIT	Times	1.28	0.51	0.80
Gross Current Assets (Days)	Days	171	146	218

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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
Cash Credit*	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE BBB+ / Stable
Cash Credit#	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE A2
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A2
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A2
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BBB+ / Stable

*BG is the sub limit to the extent of Rs.7.00 crore
BG is the sub limit to the extent of Rs.10.00 crore

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About Acuité Ratings & Research:

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