

Press Release

GPT Infraprojects Limited

Aug 04, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs. 565.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 565.00 Cr. bank facilities of GPT Infraprojects Limited (GPIL). The outlook is '**Stable**'.

Incorporated in 1980, GPT Infraprojects Limited is a West Bengal based company engaged in civil construction and manufacturing of concrete sleeper for Railways. The company commenced manufacturing of concrete sleepers in 1982 and currently has an installed capacity of 6,00,000 units per annum. The manufacturing units of the company are located at Panagarh in West Bengal, Ikari and Pahara in Uttar Pradesh, South Africa and Namibia. Subsequently, in 2004, the company commenced execution of civil infrastructure projects for roads, bridges, highways, railways mainly in Eastern and Northern India. The company is currently managed by Mr. Dwarika Prasad Tantia, Chairman, Mr. Shree Gopal Tantia, Managing Director, Mr. Atul Tantia, Executive Director and CFO, Mr. Vaibhav Tantia, Director and COO.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of GPIL and its subsidiary, GPT Concrete Products South Africa (Pty.) Limited to arrive at this rating. Extent of consolidation: Full

Key Rating Drivers

Strengths

• Long track record of operations and experienced management

The company has a long execution track record of over three decades in the manufacturing of concrete sleepers and sixteen years in the civil construction business with an established track record of projects related to Railway Bridges. The company is the flagship company of the GPT Group. GPT Group consists of the other three companies, GPT Healthcare Private Limited, GPT Castings Limited and GPT Sons Private Limited. The key promoters, Mr. Dwarika Prasad Tantia, Chairman, Mr. Shree Gopal Tantia, Managing Director, Mr. Atul Tantia, Executive Director and CFO and Mr. Vaibhav Tantia, Director and COO are actively involved in the day to day operations of the company and are backed by a team of experienced professionals from the infrastructure industry.

Acuité believes its established market presence and extensive experience of the promoters in the civil construction industry have helped them to get repeat orders from government agencies and that is expected to sustain going forward.

• Healthy order book position and diversification in business and geographies

The company currently has orders in hand of around Rs.1603.00 Cr. which are to be executed in the upcoming two to three years. Out of the total order book, the company has unexecuted orders in hand worth around Rs. 1327.00 Cr. for infrastructure projects to be executed in next two to three years and orders worth around Rs. 276.00 Cr. for sleepers. Acuite believes that the company's healthy order book position as on March 31, 2020 provides strong revenue visibility over the medium term.

The orders for infrastructure projects are primarily from reputed Government organisations like Eastern Railways, Northern Railways, Rail Vikas Nigam Limited, Northeast Frontier Railway, Public Works Department, West Bengal, to name a few. In the infrastructure sector, railway bridge comprises of around 81 percent of its total order book while the balance is from road projects. The company majorly participates in tenders floated in West Bengal, Uttar Pradesh, Rajasthan and Delhi. The rating draws comfort from the moderate business diversification across segments as well as geographies thus mitigating any concentration risk.

For their sleeper division, the company mainly has orders from a private player, GMR Infrastructure Limited. As per the order book position as on March 31, 2020, 56.50 per cent of total orders for concrete sleepers stood from GMR Infrastructure Limited. All its projects are on the direct tendering basis.

The company's revenues increased to Rs. 618.01 Cr. in FY20 from Rs. 577.60 Cr. in FY2019, marking a growth of 7.00 per cent year-on-year. The improvement in revenues is on account of increased order-book execution in the infrastructure segment in FY20. The infrastructure segment contributed to about 84 per cent of total revenues and remaining is contributed by sleeper segment in FY20. While the Covid lockdown in Q1FY21 may impact the near term revenues, Acuite believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term.

• Comfortable financial risk profile

The financial risk profile of the company is marked by high net worth, modest gearing and healthy debt protection metrics. The tangible net worth of the company stood at Rs. 220.51 Cr. as on 31st March, 2020 as against Rs.211.97 Cr. as on 31st March, 2019. The increase in net worth is mainly due to the accretion of profit to reserves. The gearing (debt-equity) stood modest at 1.09 times in FY2020 as against 1.21 times in FY2019. The total debt of Rs. 239.96 Cr. as on March 31, 2020 consists of short term borrowings of Rs. 225.21 Cr., long term debt of Rs. 11.47 Cr. and an unsecured loan from a related party of Rs. 3.29 Cr. Moreover, the interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood healthy at 2.02 times and 1.68 times in FY2020 as compared to 1.92 times and 1.63 times in FY2019, respectively. The NCA/TD stood at 0.15 times in FY2020. Acuite believes that the financial risk profile of the company will remain comfortable in the absence of any major debt-funded capex plans in the medium term.

Weaknesses

• Working capital intensive nature of operations

The company's operations are highly working capital intensive marked by Gross Current Assets (GCA) of 295 days in FY2020 as against 279 days in FY2019. High GCA days is on account of high other current assets largely dominated by unbilled revenue on construction contracts of Rs. 207.43 Cr. in FY20. Further, unbilled revenue on construction contracts of Rs.19.30 Cr. from Public Works Department, Agartala has been outstanding for more than three years. Out of the total unbilled revenues, projects from Railways forms a major chunk of around 67 per cent. Inventory days stood at 62 days in FY2020 as compared to 59 days in FY2019. The company maintains an adequate stock of raw materials, mainly steel and cement in order to execute orders on time. The debtor days stood at 61 days for FY2020 as against 42 days for FY2019 and payment by its customers are

made on achievement of certain milestones. High working capital intensity is also depicted by high utilisation of 96 per cent of working capital limits in the last twelve months ended June, 2020.

Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

• **Competitive and fragmented nature of industry coupled with tender based business**

The company is engaged as a civil contractor and the particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the company has to make a bid for such tenders on competitive prices; which may affect the profitability of the company. However, this risk is mitigated to an extent as the company is operating in this environment for the last sixteen years.

Rating Sensitivity

- Growth in a scale of operations while maintaining operating profitability
- Reduction in the quantum of unbilled revenues leading to improvement in the liquidity profile
- Deterioration in the capital structure

Material Covenants

None

Liquidity: Stretched

The company's liquidity is stretched marked by working capital intensive nature of operations and high utilisation of its working capital limits. The company's working capital intensity is reflected from its high gross current asset (GCA) of 295 days in FY2020 as against 279 days in FY2019. This has led to high utilisation of 96 per cent of working capital limits in the last twelve months ended June, 2020. The current ratio stood at 1.18 times as on March 31, 2020. The company maintained unencumbered cash and bank balances of Rs.1.77 Cr. as on March 31, 2020. Although the company has not availed moratorium on cash credit, it has applied for Covid loan of Rs. 11.65 Cr, out of which the company has been sanctioned Rs.7.25 Cr. till now and the balance is pending for sanction. However, Acuité also notes that the company has an adequate cushion in its debt repayments. The company's net cash accruals stood at Rs. 36.53 Cr. in FY20 against its debt obligations of Rs.5.12 Cr. over the same period. Going forward, Acuité believes that the company's ability to improve its liquidity by a reduction in its relatively high unbilled revenues and generate healthy cash accruals will remain key rating sensitivities.

Outlook: Stable

Acuité believes the company's outlook will remain stable over the medium term on account of vast experience of the promoters, long execution track record and healthy order book position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a deterioration in the company's financial risk profile and liquidity position or delay in completion of its projects or further deterioration in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	618.01	577.60
PAT	Rs. Cr.	12.83	12.66
PAT Margin	(%)	2.08	2.19
Total Debt/Tangible Net Worth	Times	1.09	1.21
PBDIT/Interest	Times	2.02	1.92

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to 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	210.00	ACUITE BBB-/Stable (Assigned)
Term Loan	Not Available	Not Applicable	Not Available	11.65	ACUITE BBB-/Stable (Assigned)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	0.14	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	343.21	ACUITE A3 (Assigned)

Contacts

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About Acuité Ratings & Research:

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