

Press Release
GPT Infraprojects Limited

August 06, 2021

Rating Reaffirmed



Total Bank Facilities Rated	Rs.565.00 crore
Long Term Rating	ACUITE BBB-/ Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed 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 (GPTIL). The outlook remains '**Stable**'.

The ratings on the bank loan facilities of GPTIL continue to reflect the company's established position as the manufacturer of concrete sleeper for Railways and also in the civil construction industry, backed by strong project execution capabilities, robust order flow and comfortable financial risk profile. These strengths are partially offset by stretched liquidity due to elongated working capital management and inherent cyclical nature in the construction industry.

About the company

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 8,80,000 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 GPTIL and its subsidiary, GPT Concrete Products South Africa (Pty.) Limited to arrive at this rating. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Established track record of operation 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 coupled with strong business risk profile**

GPTIL has achieved revenues of Rs. 609.24 Cr in FY2021 as compared to revenues of Rs.618.01 Cr in FY2020. The stability in revenue is backed by an unexecuted strong order book position to the tune of about Rs.1823 Cr as

on 31st March, 2021 which increased to 21.5 per cent over the previous year and will be executed over the medium term. Nearly 89 per cent of the company's order book is from the infrastructure segment and 11 per cent from the concrete sleepers segment.

The orders for infrastructure projects are primarily from reputed Government organizations like Eastern Railways, Northern Railways, Rail Vikas Nigam Limited, Northeast Frontier Railway, Public Works Department, West Bengal, to name a few. 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. All its projects are on the direct tendering basis.

The profitability margins of the company have improved with operating margin of 14.23 per cent in FY21 as compared to 12.79 per cent in the previous year. The PAT margins stood at 3.36 per cent as on FY2021 as against 2.08 per cent as on FY2020. The improvement in profitability margins have translated into healthy RoCE levels for the company of about 14.55 per cent in FY2021 as against 12.93 per cent in FY2020. Though company's profitability is exposed to volatility in raw material prices as their prices are volatile in nature, GPTIL have an in-built price escalation clause for major raw materials (such as steel, cement, fuel and bitumen) in most of its contracts.

Acuite believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term.

- **Improvement in profitability margins**

The operating margin of the company increased to 19.25 per cent as on 31st March, 2021 (Provisional) as compared to 12.01 per cent in the previous year. The PAT margins stood at 6.31 per cent in FY2021 as against 1.93 per cent as on FY2020. The Return on Capital Employed (ROCE) of the company stood comfortable at 13.31 per cent as on FY2021 (Provisional) as compared to 9.16 per cent as on FY2020. The increase in profitability margins are primarily on account of better realizations, high demand and better pricing of by-product rice bran along with reduction in employee expenses, administrative and selling overheads.

- **Above Average financial risk profile**

The company's above average financial risk profile is marked by high networth, moderate gearing and healthy debt protection metrics. The tangible net worth of the company improved to Rs.236.65 crore as on March 31, 2021 from Rs.220.51 crore as on March 31, 2020 due to accretion of reserves. Gearing of the company stood moderate at 1.11 times as on March 31, 2021 as against 1.09 times as on March 31, 2020. The debt of Rs. 262.90 crore mainly consists of working capital borrowing of Rs.221.48 crore, long term borrowings of Rs.30.86 crore, unsecured loans of Rs.1.49 crore, and current obligations of Rs.9.07 crore as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.02 times as on March 31, 2021 as against 2.27 times as on March 31, 2020. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio at 2.34 times as on March 31, 2021 and Debt Service Coverage Ratio at 1.64 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.16 times as on March 31, 2021. Acuite believes that going forward the financial risk profile of the company will remain comfortable backed by steady accruals and no major debt funded capex plans.

Weakness

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 291 days as on March 31, 2021, as compared to 295 days as on 31st March 2020. The high GCA days are on account of high level of current assets due to unbilled revenue on construction contracts and retention money. However, the debtor period stood comfortable at 50 days as on 31st March 2021 as compared to 61 days as on 31st March 2020. Further, the inventory holding level also stood comfortable at 66 days as on 31st March 2021 as compared to 62 days as on 31st March 2020. Acuite believes that the working capital operations of the firm will remain almost at the same levels as evident from the high level of unbilled revenue and retention money over the medium term.

- **Competitive and fragmented nature of industry**

With increased focus of the central government on the infrastructure sector, GPTIL is expected to reap benefits over the medium term. However, most of its projects are tender-based and face intense competition, which may hence require it to bid aggressively to get contracts. Competition can intensify further due to the recent relaxation in bidding norms by NHA and the Ministry of Road Transport & Highways (MoRTH). Also, given the cyclical nature inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical.

Rating Sensitivity

- Growth in revenue along with improvement in profitability margins
- Reduction in the quantum of unbilled revenues leading to improvement in the liquidity profile
- Reduction in order flow
- Elongation of working capital cycle

Material Covenant

None

Liquidity Profile: Stretched

The company's liquidity is stretched marked by working capital intensive nature of operations and high utilization of its working capital limits. The company's working capital intensity is reflected from its high gross current asset (GCA) of 291 days in FY2021 on account of high other current assets largely dominated by unbilled revenue on construction contracts. This has led to high utilization of 94 per cent of working capital limits in the last twelve months ended June, 2021. Further, the company has not availed loan moratorium, but applied for additional covid loan of Rs. 30.00 Cr. The current ratio stood moderate at 1.30 times as on March 31, 2021 as compared to 1.13 times as on March 31, 2020. The company maintains unencumbered cash and bank balances of Rs.2.50 crore as on March 31, 2021. Acuite also notes that the company has an adequate cushion in its debt repayments. The company's net cash accruals stood at Rs.42.76 crores in March 31, 2021 as against long term debt repayment of only Rs.10.79 crores over the same period. Going forward, Acuite 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

Acuite believes the company's outlook will remain stable over the medium term on account of experience of the promoters, long 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 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 (Standalone)

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	609.24	618.01
PAT	Rs. Cr.	20.48	12.83
PAT Margin	(%)	3.36	2.08
Total Debt/Tangible Net Worth	Times	1.11	1.09
PBDIT/Interest	Times	2.34	2.02

Status of non-cooperation with previous CRA

Care Ratings, vide its press release dated February 04, 2021 had downgraded the rating of GPT Infraprojects Limited to 'CARE BB-/Stable; ISSUER NOT COOPERATING'

Any other information

Not Applicable

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>

- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.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	Ratings/Outlook
			(Rs. Crore)	
04-Aug-2020	Cash Credit	Long term	210.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long term	11.65	ACUITE BBB-/Stable (Assigned)
	Proposed Long Term Facility	Long term	0.14	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	343.21	ACUITE A3 (Assigned)

*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	57.50	ACUITE BBB-/Stable (Reaffirmed)
Standard Chartered Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB-/Stable (Reaffirmed)
UCO Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/Stable (Reaffirmed)
Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/Stable (Reaffirmed)
IDBI Bank Limited	Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.50	ACUITE BBB-/Stable (Reaffirmed)
Indian Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE BBB-/Stable (Reaffirmed)
ICICI Bank Limited	Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB-/Stable (Reaffirmed)
Punjab National Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB-/Stable (Reaffirmed)
Axis Bank Limited	Cash Credit	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE BBB-/Stable (Reaffirmed)
State Bank of India	Term Loan	16-July-2020	7.25%	31-July-2022	5.75	ACUITE BBB-/Stable (Reaffirmed)
UCO Bank	Term Loan	31-July-2020	7.85%	31-July-2022	1.00	ACUITE BBB-/Stable (Reaffirmed)
Bank of India	Term Loan	14-Aug-2020	7.60%	31-Aug-2022	1.00	ACUITE BBB-/Stable (Reaffirmed)
Indian Bank	Term Loan	02-Mar-2021	8.30%	28-Feb-2026	2.40	ACUITE BBB-/Stable (Reaffirmed)
Punjab National Bank	Term Loan	18-July-2020	7.60%	31-July-2022	1.50	ACUITE BBB-/Stable (Reaffirmed)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.14	ACUITE BBB-/Stable (Reaffirmed)

State Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	85.00	ACUITE A3 (Reaffirmed)
Standard Chartered Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Reaffirmed)
UCO Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A3 (Reaffirmed)
Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A3 (Reaffirmed)
IDBI Bank Limited	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	37.50	ACUITE A3 (Reaffirmed)
Indian Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 (Reaffirmed)
ICICI Bank Limited	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	28.21	ACUITE A3 (Reaffirmed)
Punjab National Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3 (Reaffirmed)
Axis Bank Limited	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	57.50	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research

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