

Press Release

GKR Infracon (India) Private Limited

May 12, 2021

Rating Downgraded



Total Bank Facilities Rated*	Rs.80.00 Cr.
Long Term Rating	ACUITE C (Downgraded from ACUITE BB+ / Stable)
Short Term Rating	ACUITE A4 (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE C**' (read as **ACUITE C**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.80.00 Cr. bank facilities of GKR Infracon (India) Private Limited (GKR).

Rationale for revision of rating

The rating downgrade is based on the feedback received from the GKR's lenders mentioning about the on-going delays in servicing of debt obligation by the company.

About the Company

Hyderabad (Telangana) based, GKR was incorporated in 2012. The company is promoted by Mr. Subba Reddy Lankireddy along with his sons Mr. Gopi Krishna Lankireddy and Mr. Srinivas Lankireddy and is engaged in undertaking civil construction works majorly water grid projects related to laying of pipelines and other drinking water projects. In FY2020 company has diversified its business by venturing into coalfield excavation and overburden removals.

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of GKR to arrive at the rating.

Key Rating Drivers

Strengths

• Professional management and established relationships with Telangana Government

GKR was incorporated in 2012 by Mr. Subba Reddy Lankireddy. Company's day to day operations is currently managed by promoter's sons Mr. Gopi Krishna Lankireddy and Mr. Srinivas Lankireddy who have more than a decade of experience in the civil construction industry. The directors are well supported by other professional teams. With the promoter's extensive industry experience and timely execution of projects, the company has been able to establish a long-standing relationship with various government as well as private clients.

Weaknesses

• Delay in servicing of bank facilities

The downgrade revision of rating primarily reflects the delays in servicing of debt obligations due to stretch in liquidity on account cash flow mismatches vis-à-vis repayment obligations.

Liquidity position: Poor

The liquidity is poor on account of ongoing delays in servicing the debt obligations. There have been instances of continuous delays in servicing of principal and interest payments of loans during the last three months. Acuite believes the ability of the company to repay its debt obligations on time will be a key rating sensitivity.

Rating Sensitivities

Not Applicable

Material Covenants

None

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	122.17	65.32
PAT	Rs. Cr.	5.62	2.63
PAT Margin	(%)	4.60	4.03
Total Debt/Tangible Net Worth	Times	2.11	0.49
PBDIT/Interest	Times	3.35	2.40

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

CRISIL, vide its press release dated August 24, 2020 has classified the credit rating of GKR Infracon (India) Private Limited (GKR) as [CRISIL] BB/Stable/A4+ (Issuer Not Cooperating); on account of lack of adequate information required for monitoring of ratings.

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
02-Sep-2020	Secured Overdraft	Long Term	6.00	ACUITE BB+ / Stable (Assigned)
	Proposed Bank Facility	Long Term	14.00	ACUITE BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Short Term	30.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE C (Downgraded from ACUITE BB+ / Stable)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE C (Downgraded from ACUITE BB+ / Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A4 (Downgraded from ACUITEA4+)

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A4 (Downgraded from ACUITEA4+)

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,683 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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