

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

Acuité 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 ongoing 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

Acuité 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. Acuité 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 ACUITE A4+)

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

Analytical	Rating Desk
Aditya Gupta Vice President – Corporate Ratings Tel: 022 – 49294041 aditya.gupta@acuite.in Aditya Sahu Analyst – Rating Operations Tel: 022 – 49294055 aditya.sahu@acuite.in	Varsha Bist Senior Manager – Rating Desk Tel: 022 – 49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Acuité's rating scale and its definitions.