



Press Release

Volta Green Structures Private Limited

June 22, 2022

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	28.00	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	33.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	61.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE Double B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE four plus**) on the Rs. 61.00 Cr bank facilities of Volta Green Structures Private Limited (VGSPL). The outlook is 'Stable'.

The rating reflect VGSPL s established track record in the pre-engineered building (PEB) industry, its above average financial risk profile. These strengths are partially offset by working capital-intensive operations and exposure to intense competition in a highly fragmented PEB industry.

About the Company

Volta Green Structures Private Limited (VGSPL) is a Hyderabad based company, incorporated in 2015. VGSPL is promoted by Mr. Subhas Chandra Bose Venigalla and Mr. Basavaiah Rayipudi. The Company is engaged in manufacturing and erection of Pre-Engineered Buildings (PEB). The company operates in three key business segments: pre-engineered building structures, Rapid Building System, High Rise Structures. It has one manufacturing facility located at Hyderabad in Telangana with an installed PEB manufacturing capacity of 12,000 Metric tons per annum.

Analytical Approach

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

Key Rating Drivers

Strengths

Promoter's extensive experience in the steel fabrication industry

The promoter, Mr V. Subhas Chandra Bose and Mr. R Basavaiah have spent over three decades through association with other companies engaged in manufacturing and installation of steel prefabricated structures. Presence of over three decades in the PEB segment has enabled the promoters to establish strong relationship with key customers and suppliers resulting in repeat orders, steady growth in scale. VG SPL has maintained healthy relationships with established customers - which include Tata Steel Ltd, Larsen & Toubro Ltd, Nuclear power corporation Ltd and Indian Oil Corporation Ltd among others - result in repeat orders. The current order book is of Rs. ~154 Cr as on March 31, 2022, which provides limited revenue visibility over the medium term. Acuité believes that the company will continue to derive benefits from the extensive experience of the promoters.

Above-Average financial risk profile

VG SPL's financial risk profile is above-average, marked by moderate networth and leveraged capital structure and debt protection metrics. VG SPL has moderate net worth at Rs. 23.03 Cr as on March 31, 2022 (Prov) against Rs. 22.54 Cr as on March 31, 2021. Company has moderate capital structure marked by high gearing (debt-to-equity) and total outside liabilities to tangible networth (TOL/TNW) ratio of 1.65 times and 2.82 times respectively, as on March 31, 2022 (Prov) vis-à-vis 1.72 times and 3.04 times March 31, 2021. Debt protection metrics is moderate, reflected in interest coverage (ICR) and net cash accrual to total debt ratio (NCA/TD) of 1.33 times and 0.04 times, respectively, in FY2022 (Prov) vis-à-vis 1.29 times and 0.02 times for FY2021. Acuité believes that in absence of any major debt-funded capital expenditure; the financial risk profile is expected to remain at similar levels over the medium term.

Weaknesses

Working capital intensive nature of operations

VG SPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of 223-382 days for FY2019-FY2022 (Prov) which emanates from inventory days of 73-116 days and Debtor days of 132-226 days during FY2019-FY2022 (Prov). The GCA remains high on account of large inventory holding necessary to meet the orders. Also, other current assets consist of advance given to suppliers and taxes receivables have also resulted into increased GCA days. The company gives credit period of 115-181 days to its customers. Its working capital limits at about 94 percent over the past 12 months ended March, 2022. Acuité believes that VG SPL's operations continue to be at similar levels owing to the industry business model.

Exposure of margins to fluctuations in raw material prices and declined operating margins in FY2022

The company's scale of operation is modest. The revenues have exhibited volatility in the past five fiscals, primarily because of movements in the prices of steel, which is the key raw material. VG SPL's scale of operations is moderate with the decline in total operating income by ~45% to Rs. 67.70 Cr in FY2021 because of low order execution due to the pandemic. Further, the company has achieved a revenue growth by ~28 to Rs. 87.24 Cr in FY2022. VG SPL's profitability remains vulnerable to the variations in key raw material prices, the OPM declined to 7.21% in FY2022 (Prov) from 11.13% in FY2021. The prices of steel are volatile and linked to fortunes of key end user industry. Inability to pass on sharp fluctuations have led to volatile margins and hence, stability in profitability will remain key monitorable.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Increase in order inflow, providing revenue visibility in the medium term

- Significant improvement in scale of operations, while maintaining profitability margins
- Any large debt-funded capital expenditure, resulting in deterioration of financial risk profile.

Material covenants

None

Liquidity Position: Stretched

VG SPL's liquidity is stretched, marked by low net cash accruals against its debt obligations and further constrained by working capital intensive operations. VG SPL generated cash accruals of Rs.1.57 Cr in FY2022 (Prov) against debt obligations of Rs.0.57 Cr for the same period. The cash accrual of the company is estimated in the range of around Rs.1.50 -2.50 Cr during FY2023-25 against repayment obligations of Rs.1.00 Cr to Rs.1.50 Cr for the same period. The average fund based working capital utilization stood moderate at 94 percent for the past 12 months ended March 2022. Cash and bank balance stood at Rs 3.01 Cr and current ratio at 1.38 times as on March 31, 2022. Acuité believes Further, VG SPL may continue to need financial support from promoters amid sharp increase in steel prices and its likely impact on the demand on the pre-engineered building products.

Outlook: Stable

Acuité believes that VG SPL will continue to benefit over the medium term due to its experienced management and moderate order book providing revenue visibility. The outlook may be revised to 'Positive', in case of timely execution of its unexecuted order book leading to higher-than-expected revenues and profitability with improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case VG SPL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leads to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	87.24	67.70
PAT	Rs. Cr.	0.49	(0.30)
PAT Margin	(%)	0.56	(0.44)
Total Debt/Tangible Net Worth	Times	1.65	1.72
PBDIT/Interest	Times	1.33	1.29

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
10 May 2021	Proposed Bank Facility	Long Term	2.00	ACUITE BB+ Stable (Assigned)
	Bank Guarantee	Short Term	28.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	18.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ Reaffirmed
Bandhan Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE A4+ Reaffirmed
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BB+ Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

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