



**Press Release**  
**VOLTA GREEN STRUCTURES PRIVATE LIMITED**  
**July 20, 2023**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	28.00	ACUITE BB-   Stable   Downgraded	-
Bank Loan Ratings	33.00	-	ACUITE A4   Downgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	61.00	-	-

**Rating Rationale**

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

**Rationale for the downgrade**

The rating downgrade is on account of deterioration in the operating performance since last two years ended FY2022, the Company's operating income deteriorated to Rs.54.97 Cr in FY22 as against Rs.67.71 Cr in FY21, Rs.123.93Cr in FY20. In FY23(Estimates) the Company has estimated to generate revenue of Rs.82.18 Cr. The operating profitability which declined from 11.13 percent in FY2021 to (9.27) percent in FY2022, is expected to be in the range of 7-8 percent in FY2023. The estimated improvement in FY23 is primarily driven by stabilization of steel prices during FY2023. However, due to operating losses incurred in FY2022, the financial risk profile deteriorated significantly. The overall gearing rose to 3.42 times as on March 31, 2022 as against 1.72 times as on March 31, 2021. The interest coverage reduced to (0.98) times in FY2022 as against 1.29 times in FY2021. The gearing is estimated to remain above 3 in FY2023. Further, the elongated working capital cycle elongated also impacted the liquidity profile of the company. The liquidity position of the company is likely to remain stretched in the near term with tightly matching net cash accruals against repayment obligations. Going forward, the Company's ability to maintain its scale of operations and profitability while improving its capital structure and restricting the elongation in its working capital cycle will remain a key rating monitorable.

**About the Company**

Volta Green Structures Private Limited (VG SPL) is a Hyderabad based company, incorporated in 2015. VG SPL is promoted by Mr. Subhas Chandra Bose Venigalla and Mr. Basavaiah Rayipudi. The Company is engaged in manufacturing and erection of PreEngineered Buildings (PEB). The company operates in three key business segments: preengineered 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 VG SPL 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 in the industry through association with other companies engaged in manufacturing and installation of steel prefabricated structures. The experience has enabled the promoters to establish strong relationship with key customers and suppliers resulting in repeat orders, steady growth in scale. VGSPL 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. The current order book is of Rs. ~262.80 Cr as on June 30, 2023 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.

### Weaknesses

- **Below-average financial risk profile**

The financial risk profile of the company has deteriorated significantly in the last two years marked by high gearing and poor debt protection metrics. The net worth of the company stood at Rs.12.63 Cr and Rs.22.54 Cr as on March 31, 2022 and 2021 respectively. The gearing of the company stood at 3.42 times as on March 31, 2022 against 1.72 times as on March 31, 2021. The gearing is estimated to remain above 3 times in FY2023. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at (0.98) times and (0.58) times as on March 31, 2022 respectively as against 1.29 times and 0.62 times as on March 31, 2021 respectively. Tol/ TNW stood at 5.72 times as on March 31, 2022 as against 3.04 times as on March 31, 2021. The debt to EBITDA of the company stood at (8.80) times as on March 31, 2022 as against 5.00 times as on March 31, 2021.

- **Working Capital intensive operations**

Company's working capital cycle is intensive reflected by its high GCA days at 437 days as on March 31, 2022 as against 382 days as on March 31, 2021. Inventory days stood at 157 days as on March 31, 2022 as against 130 days as on March 31, 2021. The debtor day stood at 251 days as on March 31, 2022 as against 226 days as on March 31, 2021. The payable period stood at 172 days as on March 31, 2022 as against 132 days as on March 31, 2021 respectively. The working capital cycle is estimated to remain elongated in FY2023. Further, the average bank limit utilization in the last twelve months ended May, 23 remained at ~97 percent for fund based limits and 96 percent for non fund based limits. Acuité believes that VGSPL's ability to restrict the elongation of working capital cycle will remain a key rating monitorable.

### Rating Sensitivities

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

### Material covenants

None

### Liquidity Position: Stretched

VGSPL's Liquidity is stretched with Inadequate NCAs to its repayment obligations. VGSPL net cash accruals stood at Rs.(8.82) Cr during FY2022, while it's maturing debt obligations Rs.1.40

Cr during the same period. The cash accruals of the company are estimated to remain around Rs.1- 2Cr during FY2023-25 while their repayment obligations are estimated to be around Rs.1.34-1.45 Cr during the same period. The average fund-based working capital utilization stood at 97 percent for the past 12 months ended May, 2023. The Company has maintained unencumbered cash and bank balances Rs.0.01 Cr and the current ratio stood at 1.23 times as on March 31, 2022.

**Outlook: Stable**

Acuité believes that VGSPL rating will maintain a 'Stable' outlook over the medium term on account of long track record of operations and experienced management in the industry. The outlook may be revised to 'Positive' if VGSPL registers significant improvement in scale of operations and profitability margins while maintaining the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case VGSPL registers any significant stretch in its working capital management or larger than-expected debt- funded capital expenditure leading to deterioration of its financial risk profile and liquidity

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	54.97	67.71
PAT	Rs. Cr.	(9.91)	(0.30)
PAT Margin	(%)	(18.03)	(0.44)
Total Debt/Tangible Net Worth	Times	3.42	1.72
PBDIT/Interest	Times	(0.98)	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>
- Entities In Manufacturing Sector:- <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Jun 2022	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	2.00	ACUITE BB+   Stable (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE BB+   Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	28.00	ACUITE A4+ (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A4   Downgraded
Bandhan Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	28.00	ACUITE A4   Downgraded
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE BB-   Stable   Downgraded
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BB-   Stable   Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB-   Stable   Downgraded

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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