



Press Release
Volta Green Structures Private Limited
November 29, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	43.00	ACUITE BB Stable Upgraded	-
Bank Loan Ratings	18.00	-	ACUITE A4+ Upgraded
Total Outstanding Quantum (Rs. Cr)	61.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for upgrade :

The rating upgrade takes into consideration the overall improvement in the scale of operations of the company, marked by a moderate increase in turnover and operating profitability levels in FY2024. Improvement in FY2024 is primarily driven by stabilization of steel prices during FY2024, steady inflow of orders and orders executed on time. The improvement in the operating margin is mainly due to the introduction of defense products with a higher margin and moderation in raw material costs.

Further, it takes into account the improvement in the financial risk profile of the company on account of the infusion of equity share capital by the promoters of Rs. 4.5 crore and the infusion of quasi-equity of Rs. 16.90 crore in FY2024. The rating also factors in the promoter's extensive experience in the steel fabrication industry and reputed clientele.

The rating, however, remains constrained on account of working capital-intensive operations and the susceptibility of operating margin to competitive pressure and volatility in raw material prices.

About the Company

Volta Green Structures Private Limited (VGSPL) is a Hyderabad-based company, incorporated in 2015. VGSPL is promoted by Mr. MSRV Prasad and Mr. Basavaiah Rayipudi. The company is engaged in the manufacturing and erection of preengineered buildings (PEB). The company operates in three key business segments: preengineered building structures, rapid building systems, and high-rise structures. It has one manufacturing facility located in Hyderabad, Telangana, with an installed PEB manufacturing capacity of 17,500 Metric tons per annum.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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 promoters, Mr. MSRV Prasad and Mr. R Basavaiah, have spent over three decades in the industry through association with other companies engaged in the manufacturing and installation of steel prefabricated structures. The experience has enabled the promoters to establish strong relationships with key customers and suppliers, resulting in repeat orders and 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. Acuité believes that the company will continue to derive benefits from the extensive experience of the promoters.

▪ Improvement in scale of operations and moderate order book position

The company has recorded YOY growth of 12.87 percent in FY2024 as compared to the previous year, which stood at Rs. 92.02 crore in FY2024 as compared to Rs. 81.53 crore in FY2023. The improvement in revenues is on account of steady inflow of orders and orders executed on time. The operating margin improved to 10.20 percent in FY2024 from 9.01 percent in FY2023. The improvement in the operating margin is mainly due to the introduction of defence products with a higher margin and moderation in raw material cost. The outstanding order book as on October 2024 stood at Rs. ~137.54 crore, which is expected to be completed in the next one year. Acuité believes that the ability to get new orders and ramp up its scale will remain a key monitorable.

▪ Moderate financial risk profile

The financial risk profile of the company has remained moderate with moderate capital structure, gearing, and debt protection metrics. The net worth of the company stood at Rs. 35.32 crore and Rs. 21.67 crore as on March 31, 2024, and 2023, respectively. The improvement in the net worth is mainly on account of equity infusion of Rs. 4.50 crore and quasi equity of Rs. 16.90 crore in FY2024. The gearing of the company stood at 1.65 times as on March 31, 2024 and improved against 2.60 times as on March 31, 2023. The reason for improvement in the gearing is on account of improvement in net worth. Debt protection metrics: interest coverage ratio and debt service coverage ratio stood at moderate, 1.26 times and 1.03 times as on March 31, 2024, respectively, as against 1.32 times and 1.07 times as on March 31, 2023, respectively. Tol/TNW stood at 2.67 times as on March 31, 2024, as against 4.54 times as on March 31, 2023. The debt to EBITDA of the company has improved in comparison to previous fiscals and stood at 5.85 times as on March 31, 2024, as against 7.04 times as on March 31, 2023. Acuité believes that in the absence of any major debt-funded capital expenditure, the financial risk profile is expected to remain at similar levels over the medium term.

Weaknesses

▪ Intensive working capital operations

The company's working capital cycle is intensive, as reflected by its GCA days at 427 days in FY2024, as against 438 days in FY2023. GCA days are mainly affected by high inventory days and debtor days. Inventory days stood at 215 days in FY2024, as against 179 days in FY2023. The reason for the increase in inventory days is on account of defence orders, where the process of handing over the defence orders is different and the timing taking process is different. Before delivering the product to customers, they do quality checking, which takes time and needs approvals as well. This entire process takes time, hence inventory days are high (mostly it is finished goods). The debtor day stood at 188 days in FY2024, as against 252 days in FY2023. Subsequently, the payable period stood at 154 days in FY2024, as against 158 days in FY2023, respectively. Further, the average bank limit utilization for fund-based limits stood at ~97 percent for the last six months ended October 24.

▪ Susceptibility of operating margin to competitive pressure and volatility in raw material prices

Operations are highly susceptible to cyclical demand as well as competitive pressure in the steel fabrication industry. Operations are highly susceptible to cyclical demand as well as competitive pressure in the steel fabrication industry. The operating margins, however, improved to 10.20 percent in FY2024 from 9.01 percent in FY2023 on the back of the execution of a few high margin orders and various cost-cutting measures undertaken by the company. The prices of steel are volatile and linked to the fortunes of key end-user industries. Inability to pass on sharp fluctuations has led to volatile margins, and hence, stability in profitability will remain key monitorable.

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

Liquidity Position: Adequate

VGSPL's liquidity is adequate, with adequate NCAs to its repayment obligations. VGSPL net cash accruals stood at Rs. 1.88 crore during FY2024, while its maturing debt obligations at Rs. 1.56 crore during the same period. The cash accruals of the company are estimated to be around Rs. 4.79- 6.46 crore during FY2025-26, while their repayment obligations are estimated to be around Rs. 1.40- 1.69 Crore during the same period. The current ratio stood at 1.37 times as on March 31, 2024. The average fund-based working capital utilization stood at 97 percent for the past six months ended October 2023. The company has maintained unencumbered cash and bank balances stood at Rs. 0.11 crore. Acuité believes that though cash accruals are adequate, however, incremental working capital requirement for the growing size of operations are expected to absorb the cushion in the liquidity.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	92.02	81.53
PAT	Rs. Cr.	0.57	0.84
PAT Margin	(%)	0.62	1.03
Total Debt/Tangible Net Worth	Times	1.65	2.60
PBDIT/Interest	Times	1.26	1.32

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

Not Applicable

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Sep 2023	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	18.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	12.00	ACUITE BB- Stable (Reaffirmed)
20 Jul 2023	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Bank Guarantee (BLR)	Short Term	28.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Cash Credit	Long Term	18.00	ACUITE BB- Stable (Downgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	8.00	ACUITE BB- Stable (Downgraded from ACUITE BB+ Stable)
	Proposed Long Term Bank Facility	Long Term	2.00	ACUITE BB- Stable (Downgraded from ACUITE BB+ Stable)
22 Jun 2022	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	28.00	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.00	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	18.00	ACUITE BB+ Stable (Reaffirmed)
10 May 2021	Bank Guarantee (BLR)	Short Term	28.00	ACUITE A4+ (Assigned)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	18.00	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BB+ Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	2.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bandhan Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.00	Simple	ACUITE A4+ Upgraded (from ACUITE A4)
Bandhan Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.00	Simple	ACUITE BB Stable Upgraded (from ACUITE BB-)
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BB Stable Upgraded (from ACUITE BB-)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.00	Simple	ACUITE BB Stable Upgraded (from ACUITE BB-)

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