

Press Release

Vridhhi Infratech India Private Limited

July 23, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs. 55.00 Cr.
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Assigned)
Long Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.55.00 Cr bank facilities of Vridhhi Infratech India Private Limited (VIPL). The outlook is '**Stable**'.

About the company

Incorporated in 2014, Vridhhi Infratech India Private Limited (VIPL) was promoted by Mr. Venkata Satish Kilaru and Mr. Suresh Kumar Kavuru. VIPL is an ISO 9001:2015 certified company, involved in the civil construction business. VIPL is engaged in civil construction projects across construction of buildings, laying of roads and irrigation works. It is registered as a Special Class Contractor in the States of Andhra Pradesh, Kerala, Uttar Pradesh, Telangana, Karnataka and Madhya Pradesh.

Analytical Approach

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

Key Rating Drivers

Strengths

• Promoters extensive experience in civil construction industry

Mr. Venkata Satish Kilaru (Managing Director), Mr. Suresh Kumar Kavuru, are the directors of the company and actively involved in the day to day operations. Both the directors are having an experience of over two decades in the civil construction industry. With promoter's extensive industry experience supported by experienced management and timely execution of projects helped the company to establish long-standing relationship with various government bodies as well as other corporate clients. VIPL has registered growth of around 24.50 per cent in FY2021 (provisional) over FY2020 in operating income on account of increase in order execution. As of March 31, 2021, VIPL has an unexecuted order book position of Rs. 510 Cr, which provides healthy revenue visibility with order book to operating income ratio of 5 times of FY2021 and the same is estimated to be executed over the next 36 months which provides adequate revenue visibility over the medium term. Acuite believes that healthy unexecuted order book, technical prowess and well-funded projects, promoter's established presence in the civil construction industry and strong counterparties will sustain and support the company's business profile over the medium term.

• Moderate financial risk profile

VIPL's financial risk profile is moderate marked by moderate net worth, healthy gearing (debt-to-equity), and moderate total outside liabilities to total net worth (TOL/TNW) and healthy debt protection metrics. VIPL's net worth is moderate at Rs.24.91 Cr as on March 31, 2021 (Provisional) as compared to Rs.21.55 as on March 31, 2020. Gearing is healthy at 0.28 times as on March 31, 2021 (Provisional) as against 0.38 times as on March 31, 2020. TOL/TNW is moderate at 1.68 times as on March 31, 2020 vis-à-vis 1.82 times as on March 31, 2019. Its debt protection metrics are healthy marked by interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) at 6.57 times and 1.06 times in FY2021 (Provisional) vis-à-vis 3.64 times and 0.70 times in FY2020, respectively. VIPL generated cash accruals of Rs.5.70 to 8.14 Cr during the last 3 years through 2019-21 (Provisional), while its maturing debt obligations were in the range of Rs.0.50-

1.00 Cr during the same period. The cash accruals of the company are estimated to remain around Rs.6-7 Cr during 2021-23 while their repayment obligations are estimated to be around Rs.0.50-1.00 Cr during the same period. Acuite believes that in absence of any major debt-funded capital expenditure; improving cash accruals will lead to moderate financial risk profile over the medium term.

Weaknesses

• Moderately intensive working capital operations

VIIPL's working capital cycle is marked by moderate gross current assets (GCA) days in the range of 85-163 days over the last 3 years ending March 31, 2021 (Provisional). The GCA days are marked by elevated debtor days and moderate inventory days. The GCA days include the other current asset portion Rs.5.67 Cr also resulted in elevated in GCA Days. The inventory days (2-14) and debtor days (7-134) respectively, over the past 3 years ended with March 31, 2021 (Provisional). These are partially offset by moderate creditor days at 63-82 days over the past 3 years ended with March 31, 2021 (Provisional). The support from its creditors resulted in the working capital limits utilisation at about 25 percent over the past six months ended May 2021. Acuite believes that in the absence of any large capital expenditure, net cash accrual and unutilized bank lines should be sufficient to cover incremental working capital requirement over the medium term and the operations are expected to remain working capital intensive.

• Moderate scale of operations and concentration risks

The Company's scale of operations remained moderate and range-bound at around Rs. 85 Cr. The current order book is concentrated with more than 90% pertaining to Andhra Pradesh. VIIPL is exposed to the cyclical nature inherent in the construction industry and intense competition in the tender-based contract award system, resulting in volatility in revenues and profit margins. However, its long standing promoter's presence, past track record of timely execution of projects and established relationship with the clients led to healthy repeat order inflow. Acuite believes that the ability of the company to maintain the scale of operations along with profitability would be the key rating sensitivity factor over the medium term.

Liquidity Position: Adequate

VIIPL's liquidity is adequate marked by moderate cash accruals to its repayment obligations and albeit constraint by working capital intensive nature of its operations. VIIPL generated cash accruals of Rs.5.70 to 8.14 Cr during the last 3 years through 2019-21 (Provisional), while its maturing debt obligations were in the range of Rs.0.50-1.00 Cr during the same period. The cash accruals of the company are estimated to remain around Rs.6-7 Cr during 2021-23 while their repayment obligations are estimated to be around Rs.0.50-1.00 Cr during the same period. VIIPL's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 85-163 days over the last 3 years ending March 31, 2021 (Provisional). Its working capital credit limits were utilised efficiently at about 25 per cent during the last 6 months period ended May 2021. It has unencumbered cash and bank balance of Rs. 0.75 Cr as on March 31, 2021 and current ratio of 1.67 times as on March 31, 2021 (Provisional). Acuite 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, though expected to continue at adequate levels.

Rating Sensitivities

- Higher-than-expected operating income (OI) along with improvement in profitability
- Timely execution of order book
- Sustained increase in order inflow, providing revenue visibility in the medium term
- Improvement in working Capital cycle
- High debt-funded capital expenditure in the near to medium term.

Material covenants

None

Outlook: Stable

Acuite believes that VIIPL would maintain 'Stable' outlook on the back of experienced management, rising scale of business supported by healthy order book and operating margin. The outlook may be revised to 'Positive' in case the company reports higher-than-expected growth in revenue, while maintaining healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case the company reports lower-than-expected improvement in profitability and deterioration in working capital cycle, thereby deteriorating financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)*	FY19 (Actual)
Operating Income	Rs. Cr.	84.56	67.88
PAT	Rs. Cr.	3.35	2.67
PAT Margin	(%)	3.96	3.93
Total Debt/Tangible Net Worth	Times	0.28	0.38
PBDIT/Interest	Times	6.57	3.64

*Provisional financials are unaudited.

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

VIPL has not cooperated with Care Ratings, which has classified the company as non-cooperative through a release dated March 02, 2021. The reason provided by Brickwork Rating is non-furnishing of information for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Infrastructure Sector - <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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB-/Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	14.50	ACUITE A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A3 (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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