

Press Release

Viridhi Infratech India Private Limited

August 11, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.50	-	ACUITE A3 Assigned
Bank Loan Ratings	2.50	ACUITE BBB- Positive Assigned	-
Bank Loan Ratings	5.00	ACUITE BBB- Positive Reaffirmed Stable to Positive	-
Bank Loan Ratings	50.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	75.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed 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 VRIDDHI INFRATECH INDIA PRIVATE LIMITED (VIPL). The outlook is '**Positive**'.

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.20.00 Cr bank facilities of VRIDDHI INFRATECH INDIA PRIVATE LIMITED (VIPL). The outlook is '**Positive**'.

The outlook revision takes in cognizance of the substantial growth in the operating income by 48% in FY2022 over FY2021 and stable EBITDA margin in the range of 11.35%- 12.55% over the past 3 years ending FY2022. The reaffirmed ratings, derive strength from the VIPL's execution track record and extensive experience of its promoters in the civil construction sector over the two decades, The ratings are supported by its sizeable order book position of ~Rs.665 Cr as on June 30, 2022, which provides medium-term revenue visibility and includes orders from reputed public sector entities, resulting in low counterparty credit risk. Albeit, the ratings are constrained by tender- based nature of its operations coupled with intense competition, high geographical concentration in order book and working capital intensive operations. Going forward, the company's ability to reach its projected scale of operations through timely completion of orders in hand, secure new orders and effectively maintain its working capital requirements will be the key rating sensitivities.

About the Company

Incorporated in 2014, Viridhi 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, and Telangana.

Analytical Approach

Acuité has considered the standalone 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 48 per cent in FY2022 (provisional) over FY2021 in operating income on account of increase in order execution. As of March 31, 2022, VIPL has an unexecuted order book position of Rs. 665 Cr, which provides healthy revenue visibility with order book to operating income ratio of 4.5 times of FY2022 and the same is estimated to be executed over the next 36 months which provides adequate revenue visibility over the medium term. Acuité believes that healthy unexecuted order book, over two decades of civil construction expertise 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 healthy capital structure and healthy debt protection metrics. VIPL has moderate net worth at Rs.27.30 Cr as on March 31, 2022 (Provisional) as against Rs.23.84 Cr as on March 31, 2021. Its's gearing (debt-to-equity) and total outside liabilities to tangible network (TOL/TNW) ratio of 0.24 times and 1.47 times respectively, as on March 31, 2022 (Provisional) vis-à-vis 0.33 times and 1.95 times as on March 31, 2021. Debt protection metrics are healthy, reflected in interest coverage (ICR) and net cash accrual to total debt ratio (NCA/TD) of 9.27 times and 1.48 times, respectively, in FY2022 vis-à-vis 3.76 times and 0.71 times for FY2021. Acuité believes that the financial risk profile of the company is expected to remain moderate backed by expected ramp-up in operations and moderate routine capital expenditure towards addition and replacement of machinery and equipment.

Weaknesses

Moderately intensive working capital operations

VIPL's working capital cycle is marked by moderate gross current assets (GCA) days in the range of 85-195 days over the last 3 years ending March 31, 2022(Provisional).The GCA days are marked by elevated debtor days and moderate inventory days. The GCA days include the other current asset portion Rs.5.33 Cr also resulted in elevated in GCA Days. The inventory days (9-42) and debtor days (18-154) respectively, over the past 3 years ended with March 31, 2022 (Provisional). These are partially offset by moderate creditor days at 56-271 days over the past 3 years ended with March 31, 2022 (Provisional). The support from its creditors resulted in the working capital limits utilisation at about 44 percent over the past six months ended June, 2022. Acuité 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.

High geographic and intense competition along with vulnerability to adverse price fluctuations including sizeable non-fund based exposure

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, along with steep increase in input costs (steel, cement etc.), 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. It is exposed to sizeable contingent liabilities in the form of bank guarantees (~Rs. 51 Cr as on March 31, 2022), mainly towards performance guarantee, and security deposits. Acuité 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.

ESG Factors Relevant for Rating

Not Applicable

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

Liquidity Position: Adequate

VIIPL's liquidity is adequate marked by moderate cash accruals to its repayment obligations and moderate working capital intensive nature of its operations. VIIPL generated cash accruals of Rs.5.70 to 9.65 Cr during the last 3 years through 2020-22 (Provisional), while its maturing debt obligations were in the range of Rs.0.50 Cr during the same period. The cash accruals of the company are estimated to remain around Rs.9-11 Cr during 2022-25 while their repayment obligations are estimated to be around Rs.0.50 Cr during the same period. VIIPL's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 85-195 days over the last 3 years ending March 31, 2022(Provisional). Its working capital credit limits were utilised efficiently at about 44 per cent during the last 6 months period ended June, 2022. It has unencumbered cash and bank balance of Rs. 10.83 Cr as on March 31, 2022 and current ratio of 1.50 times as on March 31, 2022(Provisional). 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, though expected to continue at adequate levels.

Outlook: Positive

Acuité believes that VIIPL would maintain 'Positive' outlook on the back of experienced management, rising scale of business supported by healthy order book and expected the company report higher-than-expected growth in revenue, while maintaining healthy profit margins. Conversely, the outlook may be revised to 'stable' in case the company reports lower-than-expected improvement in profitability and deterioration in working capital cycle, thereby deteriorating 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.	101.12	68.41
PAT	Rs. Cr.	3.46	2.28
PAT Margin	(%)	3.42	3.34
Total Debt/Tangible Net Worth	Times	0.24	0.33
PBDIT/Interest	Times	9.27	3.76

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 February 10, 2022. 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>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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
23 Jul 2021	Bank Guarantee	Short Term	14.50	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	23.00	ACUITE A3 (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Short Term	3.50	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A3 Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	14.50	ACUITE A3 Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A3 Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 Assigned
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A3 Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- Positive Reaffirmed Stable to Positive
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB- Positive Reaffirmed Stable to Positive
Union Bank of India	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- Positive Reaffirmed Stable to Positive
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB- Positive Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A3 Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Bhavani sankar Oruganti Assistant Manager-Rating Operations Tel: 022-49294065 bhavanisankar.oruganti@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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