



Press Release
Vriddhi Infratech India Private Limited
November 09, 2023
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.50	ACUITE BBB Stable Upgraded Positive to Stable	-
Bank Loan Ratings	21.50	-	ACUITE A3+ Assigned
Bank Loan Ratings	64.50	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	96.50	-	-

Rating Rationale

Acuite has upgraded its long-term rating to **'ACUITE BBB' (read as ACUITE Triple B)** from **'ACUITE BBB-' (read as ACUITE Triple B minus)** and short-term rating to **'ACUITE A3+' (read as ACUITE A three plus)** from **'ACUITE A3' (read as ACUITE A three)** on the Rs.75.00 Cr bank facilities of VRIDDHI INFRATECH INDIA PRIVATE LIMITED (VIPL). The outlook is **'Stable'**.

Acuite also assigned its short term rating of **'ACUITE A3+' (read as ACUITE A three plus)** on additional Rs.21.50Cr bank facilities of Vriddhi Infra Tech India Private Limited.

Rationale for rating upgradation:

The rating upgradation considers Vriddhi Infra Tech India Private Limited's improvement in operations during FY23 and same being sustained during the first 6 months of FY24. The company has reported revenue of Rs.158Cr as on March 31, 2023 implying a growth rate of ~58 percent against the previous year's. During the current year the company has already achieved revenue of Rs.165Cr till September 2023. This improvement in revenue is mainly on account of healthy order book throughout the year. VIPL currently has an outstanding orders value of Rs.880Cr which is to be executed in the next 12-18 months.

The EBITDA margins has declined to 8.93 percent in FY23 against 9.46 percent of previous year's. However, in the current year the company's EBITDA margins has improved approximately to 10 percent. Stiff competition in tendering has resulted in lower margins during past 2 years. The rating also factors in the healthy financial risk profile and adequate liquidity of the company. Going forward, the company's ability in sustaining the growth in revenue while improving the profitability will be a key monitorable

About the Company

Incorporated in 2014, Vriddhi 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.

Unsupported Rating

None

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 three 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 Compounded annual growth rate (CAGR) of around 32 percent during past 3 years in operating income on account of increase in order execution. As of September 30, 2023, VIPL has an unexecuted order book position of Rs. 881 Cr, which provides healthy revenue visibility. 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.

Significant growth in operations albeit decline in margins:

The company's operations have improved significantly during past 3 years primarily contributed by increasing orders. The revenue of VIPL has shown Compounded Annual Growth Rate (CAGR) of 32 percent over past 3 years. During FY23 the company has reported revenue of Rs.158.23Cr against Rs.100.24Cr of previous year. Further the company has sustained similar growth in revenue during the first 6 months of FY24 with a revenue of Rs.165Cr and EBITDA margin of 10 percent. The EBITDA margin has declined to 8.93 percent during FY23 against 9.46 percent of previous year. This decline is on account of stiff competition in tendering. Going forward the margins are expected to improve marginally over the medium term.

Healthy Financial risk profile:

The financial risk profile of the company has remained healthy with healthy capital structure and debt protection metrics. The net worth of the company stood at Rs.33.85 Cr as on March 31, 2023 against Rs.27.63 Cr during previous year. Improvement in net worth is primarily on account of accretion of profits to the reserves during the year. The gearing of the company remained healthy under unity over the last 3 years, during FY23 VIPL's gearing was marginally deteriorated to 0.66 times against 0.23 times of previous year. The deterioration is due to increase in long term debt taken for equipment. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood in at 5.00 times and 3.77 times as on March 31, 2023 respectively as against 6.67 times and 5.81 times as on March 31, 2022 respectively. TOL/TNW stood at 1.52 times and 1.40 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the company stood at 1.45 times as on 31 March, 2023 as against 0.65 times as on 31st March, 2022. Going forward financial risk profile of the company is expected to remain healthy with absence of long term debt and expected improvement in EBITDA.

Weaknesses

Moderate Working capital management:

The working capital management of the company remained moderate with moderate GCA days at 154 days as on March 31, 2023 as against 204 days as on March 31, 2022. Inventory days stood at 35 days as on 31st March, 2023 as against 41 days as on 31 March, 2022. Subsequently, the payable period stood at 45 days as on 31st March, 2023 as against 93 days

as on 31st March, 2022 respectively. The debtor day stood at 64 days as on 31st March, 2023 as against 95 days as on 31st March, 2022. Further, the average bank limit utilization in the last six months ended September, 23 remained at ~62 percent for fund based and 58 percent for non-fund based. Acuite believes that working capital operations of the company will remain moderate over the medium term on account nature of operations.

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

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. 24 Cr as on March 31, 2023), mainly towards performance guarantee, and security deposits. 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.

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

All Covenants

None

Liquidity : Adequate

VITIPL has adequate liquidity which is evident from the sufficient Net cash accruals (NCA) to meet its debt repayment obligations. The company has reported NCA's of Rs. 10.24Cr as on March 31, 2023 against repayment obligations of Rs.0.45Cr for equipment loans for the same period. These loans are expected to be repaid during FY26. Bank limits were utilized in the range of 60-65 percent during the past 6 months ending September 30, 2023. Further to this, the gross current assets days stood at 154 days during FY23. The company has unencumbered cash and bank balances of Rs.4.06 Cr which provides additional comfort towards liquidity. Going forward, the liquidity is expected to be adequate with net cash accruals in the range of Rs 18-30 Cr over FY24-26 with expected repayment obligations in the range of Rs.3.5-8Cr

Outlook: Stable

Acuite believes that VITIPL will continue to benefit over the medium term due to its experienced management and healthy 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 SEPL registers lower-than-expected revenues and profitability or any higher than expected infusion of long term debt leading to the deterioration of its financial risk profile and liquidity

Other Factors affecting Rating

Not applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	158.23	100.24
PAT	Rs. Cr.	6.22	3.79
PAT Margin	(%)	3.93	3.78
Total Debt/Tangible Net Worth	Times	0.66	0.23
PBDIT/Interest	Times	5.00	6.67

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Aug 2022	Bank Guarantee	Short Term	23.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	7.50	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	14.50	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB- Positive (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB- Positive (Reaffirmed)
	Proposed Bank Facility	Short Term	3.50	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	2.50	ACUITE BBB- Positive (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE BBB- Positive (Reaffirmed)
23 Jul 2021	Cash Credit	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Short Term	3.50	ACUITE A3 (Assigned)
	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	14.50	ACUITE A3+ Upgraded
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	16.50	ACUITE A3+ Upgraded
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	33.00	ACUITE A3+ Upgraded
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A3+ Upgraded
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE A3+ Assigned
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A3+ Assigned
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.50	ACUITE BBB Stable Upgraded Positive to Stable
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB Stable Upgraded Positive to Stable
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB Stable Upgraded Positive to Stable
Union Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB Stable Upgraded Positive to Stable

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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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