

**Press Release**  
**Sri Gopikrishna Infrastructure Private Limited**  
**April 05, 2024**  
**Rating Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	73.50	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable	-
Bank Loan Ratings	615.50	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	689.00	-	-

**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.689.00 crore bank facilities of Sri Gopikrishna Infrastructure Private Limited (SGIPL). The outlook is revised to '**Stable**' from '**Negative**'.

**Rationale for the rating**

The revision in outlook is due to improvement seen in SGIPL's current year's i.e. FY2024 operating and financial risk profile marked by adequate net cash accruals. Even though, the operating income stood at Rs.283.07 Cr. in FY2023 as compared to Rs.301.07 Cr. in FY2022, there has been improvement seen in current financial year i.e. FY2024, in which the company has recorded a revenue of Rs.370 Cr. till 20th March 2024. Also, the improvement is seen in operating and PAT margins which stood at 12.32 percent and 5.79 percent respectively in 10MFY2024.

The rating reaffirmation continues to take into account SGIPL's experienced promoters, established track record and healthy order book position. The healthy order book outstanding of Rs.1364 Cr. as of April 2024 which is expected to be executed in the next 24-36 months of time. The rating also factors in moderate financial risk profile marked by healthy networth, low gearing and moderate debt protection metrics. Also, the company is gradually increasing its customer and geographical diversification in order book. These strengths are, however, partially constrained by its elongated receivables cycle and inherent risk of susceptibility to tender based operations.

**About the Company**

Established in 2005-06 and based in Hyderabad (Telangana), Sri Gopikrishna Infrastructure Private Limited (SGIPL) was initially set up as partnership firm by Mr. K. Gopala Raju. In 2007-08, the firm changed its constitution to private limited company and currently is promoted by Mr. K. Gopala Raju, Mr. K V N Soma Raju and other family members. SGIPL, a family-owned business, undertakes business of engineering, supply, erection, testing & commissioning of Sub-stations and High and Low tension (LT and HT) distribution systems, undertakes underground power cabling, converts LT to HT lines amongst others with recent diversification into water segment as well. SGIPL is registered as contractor with Andhra Pradesh, Assam, Chhattisgarh, Haryana, Karnataka and Maharashtra state electricity boards.

SGIPL is backwardly integrated with a manufacturing facility at Assam and Chhattisgarh to manufacture Pre-Stressed Concrete (PSC) poles with an installed capacity of 240 poles per day per plant and manufactures poles of 7.5, 8 and 8.5 meter. SGIPL, also has Fabrication

workshop with capacity of 5000 MT to manufacture hardware and matching materials.

## Unsupported Rating

Not Applicable

## Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SGIPL to arrive at this rating.

## Key Rating Drivers

### Strengths

#### **Promoters' extensive experience in power EPC industry; established track record of operations & healthy order book providing long term revenue visibility**

SGIPL, a registered EPC contractor, has established presence in executing projects related to power EPC for various state discoms. Mr. K Gopala Raju, the managing director of SGIPL, has more than 4 decades of experience in the line of civil construction. Mr. K V N Soma Raju, Mr. K Vijay Kumar Raju and Ms. K Neelima are other promoter directors of the company having combined experience of more than 3 decades. SGIPL is ably supported by an experienced second line of management. Initially, SGIPL worked as sub-contractor for M/s. Nagarjuna Constructions Company limited (NCC) and executed works worth Rs.230 Cr. in the difficult areas of Assam. Later, from the year 2008- 09 onwards, it started taking orders as independent contractor directly from various State Discoms. Over the years, SGIPL has successfully executed various projects in the far-flung areas like Nagpur & Solapur in Maharashtra, Gulbarga & Mysore in Karnataka, Hisser & Sirsa in Haryana, Chaibasa in Jharkhand, Bemetara in Chhattisgarh, Uttar Pradesh, Bihar, Assam and West Bengal etc. With the promoters' extensive industry experience and timely execution of its past projects, SGIPL has been able to establish long-standing relationship with various discoms in different states. Further, the company had achieved Rs.370 Crore till 20th March 2024. Out of which revenue from Assam is around 54%, J&K is around 8%, Rajasthan is around 4% and remaining 34% is from Uttar Pradesh. As on April 2024, SGIPL has an unexecuted order book position of approx. Rs.1364 Cr; estimated to be executed over the next 24-36 months providing long-term revenue visibility.

Also, the operating margins stood at Rs.8.17 percent in FY2023 as against 10.94 percent in FY2022 on account of increase in other manufacturing expenses. Moreover, the PAT margins stood at 1.79 percent in FY2023 as against 2.16 percent in FY2022 on account of higher interest costs.

Further, till 10MFY2024, the EBITDA margins improved and stood at 12.32 percent and PAT margins stood at 5.79 percent.

Acuité believes that the promoters' extensive industry experience, established relation with its principal contractors and healthy order book will aid SGIPL's business risk profile over the medium term.

#### **Established and long-standing relationships with key suppliers; order-backed sourcing with presence of price escalation in contract**

SGIPL purchases raw materials like transformers, conductor, cables, panel boards, switch controls and boards, etc. from reputed government approved vendors. Thus, as the suppliers are approved by DISCOMs, quality of the product is maintained. As SGIPL is in this business for more than 15 years, it has established and maintained good relationships with various suppliers. Further, as a strategy company gives order to more than 2 approved suppliers for every project, so as to avoid dependency on single suppliers. As a strategy, SGIPL procures raw materials required for project only upon confirmation of particular order. Also, all the contracts are having escalation clauses which shield the company from the raw material price movements and maintain the margins.

Acuité believes that established relation with key suppliers, order-backed sourcing and presence of price escalation clauses will lead to better operating margins of the company.

### Moderate financial risk profile

Financial risk profile of SGIPL is moderate marked by healthy network, low gearing and average debt protection metrics. The network of the company has improved to

Rs.240.58 Cr. as on 31 March, 2023 as against Rs.235.51 Cr. as on 31 March, 2022 on account of accretion to reserves. The gearing (debt-equity) stood at 0.46 times as on 31 March, 2023 as against 0.54 times as on 31 March, 2022. The total debt of Rs.110.64 Cr. as on 31 March, 2023 consists of long term bank borrowings of Rs.17 Cr, unsecured loans from directors of Rs.45 Cr. and short term bank borrowings of Rs.48 Cr. The interest coverage ratio stood at 1.58 times for FY2023 as against 1.46 times for FY2022 while the DSCR stood at 1.36 times for FY2023 as against 1.32 times for FY2022. The Net Cash Accruals to Total debt stood at 0.06 times for FY2023 as against 0.07 times for FY2022. The Total outside liabilities to Tangible net worth stood at 1.22 times for FY2023 as against 1.31 times for FY2022. The Debt to EBITDA stood at 4.40 times for FY2023 as against 3.62 times for FY2022.

Acuité expects the financial risk profile to improve yet remain moderate over the medium to long term.

## **Weaknesses**

### **Working capital intensive nature of operations**

The operations of SG IPL are working capital intensive marked by Gross Current Assets (GCA) days which stood high at 608 days for FY2023 against 590 days for FY2022. The high GCA days is on account of increased debtor days. The company's receivable cycle, which remains elongated, stood at 491 days in FY2023 as against 521 days in FY2022. The average credit period allowed to customers is 90 days. Further, the inventory cycle stood at 45 days for FY2023 as against 22 days for FY2022. The creditors stood at 328 days in FY2023 as against 232 days in FY2022. SG IPL's working capital cycle is supported by the fact that SG IPL places a back-to-back order to its suppliers as and when it receives from its customers. Hence, the time span of the collection days' replicates and is applicable for its creditors too, majorly to its subcontractors. SG IPL's creditor days are high mainly because of LC backed creditors with usance period of 90-120 days and payables to its sub-contractors + retention money/security deposits payable to its sub-contractors. The average fund-based utilization for 10 months period ended January 2024 stood at ~97 percent and for non-fund-based stood at 65%.

Acuité believes that the operations of the SG IPL will remain highly working capital intensive on account of continuous submission of security deposits and retention money. Besides, timely receipt of payments will remain key monitorable over the near to medium term.

### **Susceptibility to tender-based operations**

Revenue and profitability depend entirely on the ability to win tenders. Entities in this segment face intense competition, thus requiring them to bid aggressively to procure contracts; this restricts the operating margin to a moderate level. Also, given the cyclical nature inherent in this industry, the ability to maintain profitability margin through operating efficiency becomes critical. Acuité believes that the company's business profile and financial profile can be adversely impacted on account of presence of stiff competition, and has inherent risk of susceptibility to tender based operations.

## **Rating Sensitivities**

### **Positive**

- Timely realization of receivables and release of retention money, timely execution of its order book leading to substantial improvement in scale of operations while maintaining profitability margins over the medium term.
- Sustainable improvement in Profitability, Leverage and Solvency position of the company.
- Improvement in its working capital cycle.

### **Negative**

- Any further deterioration in working capital cycle and liquidity profile of the company.
- Any deterioration in Revenue profile and leverage position of the company.
- Any weakening of financial risk profile of the company.

## **Liquidity Position**

### **Adequate**

SGIPL has adequate liquidity position marked by sufficient net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs.6-9 Cr. during FY2021 to FY2023 against its repayment obligation in the range of Rs.1 Cr. during the same period. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.18.06-32.43 crores against the maturing repayment obligations of around Rs.4.58-6.20 crore over the medium term. The working capital operations of the company are intensive marked by its gross current asset (GCA) days of 608 days for FY2023 as against 590 days for FY2022 on account of high debtor days during the same period. The average fund-based utilization for 10 months period ended January 2024 stood at ~97 percent and for non-fund-based stood at 65%. The current ratio stands at 2.24 times as on 31 March 2023. The company has maintained cash & bank balance of Rs.1.42 Cr. in FY2023.

### **Outlook: Stable**

Acuité believes that SGIPL will continue to benefit over the medium to long term on account of long track record of operations, experienced management in the industry and healthy unexecuted order book. 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 cycle and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case SGIPL registers lower-than-expected revenues and profitability or 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	283.07	301.07
PAT	Rs. Cr.	5.07	6.49
PAT Margin	(%)	1.79	2.16
Total Debt/Tangible Net Worth	Times	0.46	0.54
PBDIT/Interest	Times	1.58	1.46

### 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>
- 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

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
06 Jan 2023	Cash Credit	Long Term	39.00	ACUITE BBB-   Negative (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB-   Negative (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB-   Negative (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB-   Negative (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	5.00	ACUITE BBB-   Negative (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	253.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	52.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	64.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	28.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	55.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	16.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	17.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	104.00	ACUITE A3 (Reaffirmed)
	Dropline Overdraft	Short Term	20.00	ACUITE A3 (Reaffirmed)
08 Oct 2021	Proposed Long Term Bank Facility	Long Term	5.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	43.00	ACUITE BBB-   Stable (Assigned)
	Proposed Short Term Bank Facility	Short Term	16.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	17.50	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	9.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	19.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	75.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	16.00	ACUITE A3 (Assigned)
		Short		

Bank Guarantee (BLR)	Term	84.00	ACUITE A3 (Assigned)
Letter of Credit	Short Term	63.50	ACUITE A3 (Assigned)
Bank Guarantee (BLR)	Short Term	324.00	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
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	253.00	ACUITE A3   Reaffirmed
Central Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	64.00	ACUITE A3   Reaffirmed
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.00	ACUITE A3   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	55.00	ACUITE A3   Reaffirmed
Central Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	39.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
HDFC Bank Ltd	Not avl. / Not appl.	Dropline Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A3   Reaffirmed
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	52.00	ACUITE A3   Reaffirmed

Central Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE A3   Reaffirmed
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A3   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE A3   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	95.50	ACUITE A3   Reaffirmed
Central Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	21 Jun 2024	Simple	1.48	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	21 Apr 2024	Simple	3.03	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	12 Jun 2024	Simple	8.99	ACUITE BBB-   Stable   Reaffirmed   Negative 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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