

Press Release

VISHVARAJ INFRASTRUCTURE PRIVATE LIMITED (ERSTWHILE VISHVA INFRASTRUCTURE LIMITED)

April 01, 2024



Product	Rating Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BBB- Reaffirmed & Withdrawn	-
Bank Loan Ratings	13.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	50.00	-	ACUITE A3 Reaffirmed
Bank Loan Ratings	25.00	-	ACUITE A3 Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	63.00	-	-
Total Withdrawn Quantum (Rs. Cr)	37.00	-	-

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 total Rs.63.00 Cr. bank facilities of Vishvaraj Infrastructure Private Limited (VIPL). The outlook is '**Stable**'.

Acuite has reaffirmed and withdrawn its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the total Rs.37.00 Cr. bank facilities of Vishvaraj Infrastructure Private Limited (VIPL). Acuite has received request from the client and revised sanction letter for the withdrawal. The withdrawal is in line with Acuite's policy on withdrawal of rating.

Rationale for Rating reaffirmation

The rating reaffirmed factors the extensive experience of management, established track record of operations and moderate financial risk profile of VIPL. VIPL is largely engaged in executing engineering, procurement and construction work or operation and maintenance for its sister company Vishvaraj Environment Private Limited (VEPL) (rated ACUITE A-/Stable/A2+) and other group entities. The rating also factors its high working capital intensity which is inherent to the business, particularly the realisation of receivables. Execution of contracts on a timely basis and within budget costs remains a key monitorable.

About the Company

Vishvaraj Infrastructure Private Limited (VIPL), a part of the Vishwaraj Group, was incorporated in 1992 as Vishvaraj Housing Company Private Limited (VHCPL). During 1999, VHCPL was acquired by Mr. Arun Lakhani and Mrs. Vandana Lakhani and reconstituted as a closely held public limited company in 2000. VIPL is headquartered at Nagpur with its registered office in Mumbai, Maharashtra. VIPL invests in Public Private Partnership (PPP) infrastructure projects and is also engaged in Execution, Procuring and Construction (EPC) work for the same projects. VIPL primarily executes infrastructure development projects in three segments i.e. water, waste water management and road and highways procured by the Vishwaraj Group of Companies.

Incorporated in 2008, VEPL is a Nagpur based company primarily engaged in construction and operation and maintenance of water and waste water infrastructure projects – water treatment plants and sewage treatment plants. Part of the Vishvaraj Group of companies, VEPL is the flagship company of the group and as on date handles operation and maintenance of 27 drinking water treatment plants (WTPs) with a total capacity of 228 Cr litres per day and 15 Sewage treatment plants (STP) with a capacity of total 53 Cr litres per day. The Vishvaraj Group is ultimately promoted by Mr. Arun Lakhani and family through their investment arm Premier Financial Services Limited (PFSL).

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered standalone business and financial risk profile of VIPL and has notched up the standalone rating of VIPL by factoring in the operational and financial linkages between Vishvaraj Environment Private Limited and Vishvaraj Infrastructure Private Limited

Key Rating Drivers

Strengths

> Experienced management and long track record of operations

Incorporated in 1992, VIPL is managed by Mr. Arun Lakhani along with a team of well qualified and experienced professionals. The team lead by Mr. Arun Lakhani has been in the infrastructure industry for more than two decades. VIPL is a part of Vishvaraj Group, which is primarily engaged in the infrastructure development business under Public Private Partnership ("PPP") model in Road and Highways, Water & Waste Water sectors. The Group is owned by Mr. Arun Lakhani and his family vide their holding arm Premier Financial Services Limited (PFSL). VIPL is primarily engaged in undertaking EPC contracts for its group entity Vishvaraj Environment Private Limited (VEPL) (rated ACUITE A-/Stable/A2+) in the water and waste water segment. It also has investments in the SPVs of the group belonging to the Road and Highways segments. VIPL earns revenue from undertaking operation and maintenance activity from these SPV projects. The operating income of VIPL stood at Rs.34.50 Cr. in FY2023 as against Rs. 72.34 Cr. in FY2022. VIPL's operating profitability recorded an improving trend as it stood at 17.94 percent in FY2023 as against 14.50 percent in FY2022. PAT margins stood at 8.21 percent in FY2023 as against 4.50 percent in FY2022.

> Moderate financial risk profile

The financial risk profile of the Company is moderate marked by moderate net-worth, low gearing and comfortable debt protection metrics. The tangible net-worth of the Company stood at Rs.169.26 Cr. as on March 31, 2023 as against Rs.166.38 Cr. as on March 31, 2022. The total debt stood at Rs. 163.72 Cr. as on March 31, 2023 is loan from group entities/related parties. The overall gearing of the Company stood at 0.97 times as on March 31, 2023 as against 1.31 times as on March 31, 2022. The debt protection metrics is modest marked by interest coverage ratio of 1.85 times in FY2023 as against 1.81 times in FY2022. NCA to Total Debt and Debt to EBITDA ratio stood at 0.02 times and 17.50 times for FY2023 as against 0.02 times and 19.61 times for FY2022 respectively.

Weaknesses

> Working capital intensive nature of operations:

The operations of VIPL are working capital intensive in nature marked by gross current asset days of 510 days as on March 31, 2023 as against 480 days as on March 31, 2022. The GCA days are elongated on account of stretched receivables, the receivable days stood at 222 days as on March 31, 2023 as against 366 days as on March 31, 2022. The receivables are dues from related parties/group entities with 62 percent aged less than 180 days, indicating a significant proportion of revenue being booked in second half of the year. VIPL is an EPC player and for this industry, majority of revenue is generated post the completion of monsoon season in September. The Company maintains inventory of 25-40 days which largely includes trading stock. The creditor days including dues payable to sub-contractors and raw material

supplying entities, stretched to stood at 11 days as on March 31, 2023 as against 119 days as on March 31, 2022.

Rating Sensitivities

- > Movement in scale of operations and profitability
- > Management of its working capital cycle

Liquidity Position

Adequate

The liquidity position of VIPL is adequate marked by moderate net cash accruals against nil repayment obligations. The net cash accruals of the Company stood at Rs. 3.29 Cr. and Rs. 3.80 Cr. for FY2023 and FY2022 respectively against negligible repayment obligations. The net cash accruals are estimated to range between Rs.9-13 Cr. during the period FY23-24 against negligible repayment obligations. Further, cash flow support in the form of dividends from investments in group entities is also expected in the near to medium term. The gross current asset days stood at 510 days as on March 31, 2023. The company largely maintained credit balance or limits remained unutilised in the cash credit account over the last six months ended February, 2024. Acuite believes that the liquidity of the Company is likely to remain adequate over the medium term on account of sufficient expected cash accruals against no debt repayments.

Outlook: Stable

Acuite believes that VIPL is likely to continue to benefit over the medium term on account of the company's established market position and extensive experience of its promoters. The outlook may be revised to 'Positive' if the company is able to demonstrate significant and sustained improvement in its working capital management, specifically its receivable position and scale of operations while maintaining its profitability margins. Conversely, the outlook may be revised to 'Negative' in case of lower than expected generation of revenue and profitability, most likely as a result of reduced inflow of executable orders through its group concerns.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	34.50	72.45
PAT	Rs. Cr.	2.83	3.26
PAT Margin	(%)	8.21	4.50
Total Debt/Tangible Net Worth	Times	0.97	1.31
PBDIT/Interest	Times	1.85	1.81

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Jan 2023	Bank Guarantee (BLR)	Short Term	75.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Assigned)
01 Sep 2021	Bank Guarantee (BLR)	Short Term	75.00	ACUITE A4 (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	33.00	ACUITE B+ (Reaffirmed & Withdrawn)
	Term Loan	Long Term	98.00	ACUITE B+ (Reaffirmed & Withdrawn)
	Working Capital Demand Loan (WCDL)	Long Term	8.60	ACUITE B+ (Reaffirmed & Withdrawn)
05 Mar 2021	Bank Guarantee (BLR)	Short Term	75.00	ACUITE A4 (Downgraded & Issuer not co-operating*)
	Cash Credit	Long Term	33.00	ACUITE B+ (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	98.00	ACUITE B+ (Downgraded & Issuer not co-operating*)
	Working Capital Demand Loan (WCDL)	Long Term	8.60	ACUITE B+ (Downgraded & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A3 Reaffirmed
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A3 Reaffirmed & Withdrawn
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.00	ACUITE BBB- Stable Reaffirmed
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BBB- Reaffirmed & Withdrawn

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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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