



Press Release

Vishwa Samudra Engineering Private Limited (VSEPL)

January 21, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	336.50 (Enhanced from Rs. 330.88 crore)	IVR A/Stable (IVR Single A with Stable Outlook)	IVR A/Stable (IVR Single A with Stable Outlook)	Rating Reaffirmed	Simple
Proposed Long Term Bank Facilities	170.00 (Enhanced from Rs. 39.12 crore)	IVR A/Stable (IVR Single A with Stable Outlook)	IVR A/Stable (IVR Single A with Stable Outlook)	Rating Reaffirmed	Simple
Long Term/ Short Term Bank Facilities	400.00	IVR A/Stable/ IVR A1 (IVR Single A with Stable Outlook /IVR A One)	IVR A/Stable/ IVR A1 (IVR Single A with Stable Outlook /IVR A One)	Rating Reaffirmed	Simple
Proposed Long Term/ Short Term Bank Facilities	400.00	IVR A/Stable/ IVR A1 (IVR Single A with Stable Outlook /IVR A One)	-	Assigned	Simple
Total	1306.50 (Rupees one thousand three hundred and six crore and fifty lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating of IVR A/Stable/IVR A1 for the bank facilities of Vishwa Samudra Engineering Private Limited (VSEPL). The reaffirmation of rating takes into account overall improvement in operational and financial performance of the company, as reflected in increased scale of operations in FY24 (refers to the period from April 1 to March 31). The ratings continue to factor in the strengths emanating from experienced promoter & management team, robust order book position and comfortable debt protections metrics. However, these rating strengths remain constrained by moderate capital structure due to increase in guaranteed debt, geographical and sectoral concentration risks, exposure to project implementation risks, susceptibility of operating margin to volatile input prices and tender based nature of operations in a highly fragmented & competitive industry.



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The Stable outlook reflects expected medium term revenue visibility backed by robust order book.

Key Rating Sensitivities:

Upward Factors

- Increase in scale of operations along with improvement in profitability on a sustained basis.
- Significant reduction in guaranteed obligations to Special Purpose Vehicles (SPVs) on a sustained basis.
- Improvement in TOL/TNW to below 3 times and total debt to EBITDA to below 2 times including guaranteed debt.

Downward Factors

- Adverse changes in indebtedness of the company as indicated by TOL/TNW ratio and total debt to EBITDA including guaranteed debt.
- Delays in tie up enhanced working capital limits limiting scaling up of operations thus impacting profitability and debt protection metrics.
- Elongation in operating cycle impacting liquidity position of the company.
- Time and cost overruns in HAM projects resulting in higher debt thus impacting debt protection metrics of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoter & management team

Vishwa Samudra Engineering Private Limited was promoted by Mr. Chinta Sasidhar, a qualified civil engineer and postgraduate in MS (Management) from Bath University, United Kingdom. He has more than 25 years of experience in the field of construction and infrastructure development. Long standing experience of the promoter in construction industry has led to the established position of the company in Southern India. He was instrumental in setting up and operations of Krishnapatnam port which was later sold to the Adani Group. He is supported by a well-qualified and experienced management team. Dr. Y Anil Kumar, the Managing Director, has more than 30 years of experience in dealing with various public sector



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undertakings, ports and infrastructure projects and Mr. Shivdutt Das, Director, has experience of over 23 years.

Robust order book position

VSEPL has a robust unexecuted order book of Rs.12,116.50 crore as on September 30, 2024 (~4 times of the revenues in FY24) to be executed over a period of 24 to 36 months, which provides adequate revenue visibility in the near to medium term. The order book includes back-to-back orders of Rs.6295 crore (~48%) from subsidiaries executing HAM projects. Around ~51% of the orders are funded by strong counterparties like National Highways Authority of India (NHAI), National Highways Logistics Management Ltd (NHLML) and Andhra Pradesh Maritime Board (APMB). Recently the company was also awarded a project from Ministry of Public Works, Georgetown, Guyana amounting to Rs.3503.00 crore. The work for the same is expected to start by Q1FY26 and the construction period is three years. Going forward, timely execution of the existing order book within the envisaged costs and time will be a key rating monitorable.

Increased scale of operations

The company's total operating income has increased significantly by ~211% to Rs.3172.06 crore in FY24 from Rs.1020.93 crore in FY23 supported by robust order book and timely execution of existing projects. The company's EBITDA and PAT margins were maintained at a similar level at 11.72% and 8.26% respectively in FY24 and 11.70% and 7.46% respectively in FY23. As per H1FY25 (Unaudited) financials the company has reported revenue of Rs.1323.00 crore and EBITDA margin of 12.84%.

Comfortable debt protection metrics

In FY24 debt protection metrics continue to be comfortable with an interest coverage ratio of 17.26x (PY: 25.08x) and debt service coverage ratio of 13.17x (PY: 22.06x).

Key Rating Weaknesses

Moderation in capital structure due to increase in guaranteed debt

VSEPL's total debt of the company has increased from Rs.11.06 crore as on March 31, 2023, to Rs.306.69 crore as on March 31, 2024, on a standalone basis due to scaling up of operations. The adjusted tangible networth excluding investments in group companies has



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also improved to Rs.450.21 crore as on March 31,2024 from Rs.390.34 crore as on March 31,2023 due to improved profitability. Accordingly, the adjusted overall gearing ratio moderated to 0.68x as on March 31, 2024, as against 0.03x as on March 31, 2023. However, TOL/ATNW has deteriorated to 4.44x as on March 31,2024 against 2.42x as on March 31, 2023, on account of higher trade payables due to scaling up of operations.

Further the company has also given corporate guarantees to various SPVs amounting to Rs.1263.95 crore as on March 31, 2024 (Rs.370.95 crore as on March 31, 2023). The adjusted overall gearing and TOL/ATNW including guaranteed debt deteriorates to over 3x and over 7x respectively as on March 31, 2024. Any further increase in guaranteed debt will be a key rating monitorable. The total debt to EBITDA including guaranteed debt stood at over 4x as on March 31,2024. However, the projects wherein corporate guarantees are given are expected to be completed by H1FY26 and will start receiving annuities thereafter which will be used for the debt servicing of the debt in the SPVs and thus reducing reliance on VSEPL.

Geographical and sectoral concentration risks

As on September 30, 2024, 58% of the order book of the company is concentrated in Kerala and Andhra Pradesh, followed by ~29% in the international project in Guyana. Further, ~53% of the total order book is in road and ~18% in ports. Two out of three road HAM projects are in Kerala which is marked by frequent floods and heavy rains. The company is also implementing one HAM ropeway project in Varanasi. The other states where projects are being executed are Jammu & Kashmir, Goa and Uttar Pradesh. Thus, the company remains exposed to geographical and sectoral concentration risk and macro and socio-political upheavals in these states in India and now onwards in Guyana.

Exposure to project implementation risks

VSEPL faces project implementation risk as the four HAM projects aggregating to total project cost of Rs.6295 crores are in construction stage. The company has sought extension of time (EOT) in three HAM projects due to various reasons and change in scope (COS) aggregating to Rs. 340.67 crore in Kannur and Oachira projects. The management has clarified that the COS will be an EPC type of arrangement. The Independent Engineer has recommended EOTs, and the company has received the EOT approvals from NHAI for all the three road projects. As of end of December 2024, the HAM projects have achieved between 65% and 80% physical completion. Out of the total equity contribution of Rs.825.10 crore, which is to be invested in



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HAM projects, Rs.630.10 crore has already been infused by VSEPL as on H1FY25 and the balance of Rs.195.10 crore will be infused by H1FY26. The company expects projects to be completed as per revised timelines by H1FY26. Timely completion of the projects without any further time and cost overruns will remain a key rating monitorable.

Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are steel and cement which are usually sourced from large players at proximate distances. Historically, the cost of these raw materials and steel products have been volatile in nature and hence, profitability margins of the company are susceptible to fluctuation in raw material prices and/or finished products. However, the company has been able to shake off the effect of volatility to a certain extent with the help of inherent cost escalation clause added into the contracts.

Tender-based nature of operations and highly fragmented & competitive industry

The company is getting most of its orders through tenders floated by various government departments, thus the business depends on the ability to bid for contracts successfully. Further as the infrastructure industry is highly fragmented with presence of many organized and unorganized players, tender driven nature of business leads to volatility in revenue and profitability. Also, being in infrastructure segment the company is exposed to inherent risks associated in this industry like slowdown in new order inflows, risks of delays in execution, delay in payments from the government, fluctuating input costs, and changes in government policies. The promoter's long industry experience of nearly three decades mitigates this risk to some extent.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology – Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)



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Liquidity –Adequate

The company's liquidity position is expected to be adequate, supported by a cushion in expected cash accruals against debt repayment obligations in the projected period FY25-FY27. The average monthly utilisation of fund-based bank limit remained low at ~24% for 12 months ended September 2024. The balance equity contribution of Rs.195.10 crore for the HAM projects will be brought in by Vishwa Samudra Holdings Pvt Ltd (VSHPL) As on March 31, 2024 company had free cash and cash equivalents of Rs.119.94 crore.

About the Company

Vishwa Samudra Engineering Private Limited, part of Vishwa Samudra Group based in Hyderabad is engaged in engineering and construction business. It commenced operations in 2016. Vishwa Samudra Holdings Private Limited holds 70.98% in VSEPL and balance is held by the by the promoter family as on December 31, 2024.

Financials (Standalone)

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	1020.93	3172.06
EBITDA	119.40	371.65
PAT	76.96	265.43
Total Debt	11.06	306.69
Adjusted Tangible Net Worth	390.34	450.21
EBITDA Margin (%)	11.70	11.72
PAT Margin (%)	7.46	8.26
Adjusted Overall Gearing Ratio (x)	0.03	0.68
Interest Coverage (x)	25.08	17.26

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years					
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24			Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22
					Feb 26, 2024	Jan 09, 2024	Oct 25, 2023	Sept 09, 2022	Sept 06, 2022	
1.	Term Loan	Long Term	236.50	IVR A /Stable	IVR A/Stable	IVR A/Stable	IVR A/Stable	-	-	-
2.	Proposed Term Loan	Long Term	70.00	IVR A/ Stable	IVR A/Stable	IVR A/Stable	IVR A/Stable	-	IVR A-/ Stable	-
3.	Cash Credit	Long Term	100.00	IVR A/ Stable	IVR A/Stable	IVR A/Stable	IVR A/Stable	IVR A-/ Stable	IVR A-/ Stable	-
4.	Proposed Cash Credit	Long Term	100.00	IVR A/ Stable	-	-	IVR A/Stable	-	-	-
5.	Bank Guarantee	Long Term/ Short Term	400.00	IVR A/ Stable/ IVR A1	IVR A/Stable / A1	IVR A/Stable / A1	IVR A/Stable / A1	IVR A-/ Stable/ IVR A2+	IVR A-/ Stable/ IVR A2+	-
6.	Proposed Bank Guarantee	Long Term/ Short Term	400.00	IVR A/ Stable/ IVR A1	-	-	IVR A/Stable / A1	-	IVR A-/ Stable/ IVR A2+	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund based bank facility-Term Loan	-	-	-	December 12,2026	30.00	IVR A/ Stable
Long Term Fund based bank facility-Term Loan	-	-	-	August 31,2026	4.60	IVR A/ Stable
Long Term Fund based bank facility-Term Loan	-	-	-	September 09,2027	38.40	IVR A/ Stable
Long Term Fund based bank facility-Term Loan	-	-	-	Not disbursed	31.00	IVR A/ Stable
Long Term Fund based bank facility-Term Loan	-	-	-	September 27,2027	40.00	IVR A/ Stable
Long Term Fund based bank facility-Term Loan	-	-	-	October 31,2028	40.00	IVR A/ Stable
Long Term Fund based bank facility-Term Loan	-	-	-	September 14,2027	27.50	IVR A/ Stable
Long Term Fund based bank facility-Term Loan	-	-	-	March & May 2028	9.45	IVR A/ Stable
Long Term Fund based bank facility-Term Loan	-	-	-	July 10,2028	2.75	IVR A/ Stable



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Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund based bank facility-Term Loan	-	-	-	July 02, 2028	12.80	IVR A/ Stable
Long Term Fund based bank facility-Proposed Term Loan	-	-	-	-	70.00	IVR A/ Stable
Long Term Fund based bank facility-Cash Credit	-	-	-	-	100.00	IVR A/ Stable
Long Term Fund based bank facility-Proposed Cash Credit	-	-	-	-	100.00	IVR A/ Stable
Long Term/Short Term Non-fund-based bank facility-Bank Guarantee	-	-	-	-	400.00	IVR A/ Stable/ IVR A1
Long Term/Short Term Non-fund-based bank facility-Proposed Bank Guarantee	-	-	-	-	400.00	IVR A/ Stable/ IVR A1

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-VSEPL-jan25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.