



## Press Release

### Velji Ratna Sorathia Infra Private Limited

**August 23, 2023**

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	120.00 (includes proposed facility of Rs. 2.50 crore)	IVR BBB+/ Stable (IVR triple B plus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	230.00 (includes proposed facility of Rs. 30.00 crore)	IVR A2 (IVR A two)	Assigned	Simple
<b>Total</b>	<b>350.00</b> <b>(INR Three hundred and fifty crore only)</b>			

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The ratings assigned to the bank facilities of Velji Ratna Sorathia Infra Private Limited (VRSIPL) derives strength from experienced promoters and strong client base, healthy order book position which provides adequate revenue visibility, steady increase in the topline and profits and conservative capital structure and comfortable coverage indicators. However, the ratings are constrained on account of exposure to group entities in the form of corporate guarantees, highly competitive industry because of the fragmented and tender-driven nature of business and exposure to volatile raw material prices coupled with inherent project execution risk.

#### Key Rating Sensitivities:

##### Upward Factors

- Growth in scale of operations with improvement in profitability and gross cash accrual on a sustained basis
- Timely and proper execution of existing order book and diversification in regional presence
- A reduction in corporate guarantee extended to the group companies.

##### Downward Factors



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- Dip in operating income and/or profitability impacting the debt protection metrics
- Any significant increase in the working capital requirements of the company and/ or debt funded capital expenditure exerting pressure on the liquidity position of the company.
- Any liability arising out of corporate guarantee extended to group companies.
- Any delay in the execution of the order book, leading to the elongation of the working capital cycle.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters and strong client base**

VRISPL is promoted by Sorathia family having experience of over four decades in execution of small and mid-size infrastructure projects. Presently, VRISPL's operations are managed by Mr. Haresh Sorathia (third generation of the family), who has more than a decade of experience in the construction industry. The promoters and directors are ably supported by team of experienced engineers and project managers in project planning, execution and day-to-day business operations. VRISPL's client consist of government entities including central/ state governments undertakings, urban local bodies and public sector undertakings which translates into limited counterparty credit risk.

- **Healthy order book position provides adequate revenue visibility**

As of July 30, 2023, the company had an unexecuted order book of~ Rs. 1900 crore, which will be executed over the next 20 months. The order book is 2.7 times of FY2023 (provisional) revenues, which provides fair visibility for revenue growth over the medium term. Infomerics notes that the company's ability for successful execution of the current healthy order book in due time will remain a key rating factor, going ahead.

- **Steady increase in the topline and profits**

The company has been witnessing an increase in revenue in the past three years due to higher execution of projects. The scale of operations of the company marked a substantial growth with increase in TOI from ~Rs. 257 crore in FY20 to ~Rs. 708 crore in Fy23 (provisional)/ Consequently, EBITDA and PAT, increased by ~12% and ~18% y-o-y to Rs. 80.12 crore and



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Rs. 43.68 crore in FY23 (provisional). A sustained increase in topline and profits will be a key rating factor going forward.

- **Conservative capital structure and comfortable coverage indicators**

As of March 31, 2023 (prov), the capital structure of the firm was total debt of Rs. 113.87 crore compared with networth of Rs. 191.94 crore. Total debt increased from Rs. 96.99 crore as on March 31, 2022, due to increase in bank borrowing partly offset by repayment of term debt. Therefore, leverage ratios looked comfortable with long term debt equity of 0.18 times, overall gearing ratio of 0.59 times, TOL/TNW of 1.41 times as of March 31, 2023, compared with long term debt equity of 0.60 times, overall gearing ratio of 0.78 times, TOL/TNW of 2.14 times as of March 31, 2022. The debt protection metrics of the firm was strong with interest coverage ratio of 7.47 times and debt service coverage of 2.16 times in FY23, compared with interest coverage of 6.96 times and DSCR of 1.81 times in FY22. The improvement in coverage ratios came on the back of increase in EBITDA coupled with a decline in interest charges.

### Key Rating Weaknesses

- **Exposure to gGroup entities in the form of corporate guarantees**

The company has exposure to Corporate Guarantees of Rs. 49.54 crore as on March 31, 2023 (provisional). These corporate guarantees are given in favour of two HAM projects – both of which are in operational phase and the COD is yet to be achieved. The crystallisation of such liabilities may impact the company's liquidity profile to some extent.

- **Highly competitive industry because of the fragmented and tender-driven nature of business**

VRSIPL is a mid-sized player operating in an intensely competitive construction industry with presence of large number of contractors. As the entry barriers in the sector are low there are multiple players present thereby exposing the company to intense competition. Additionally, the contracts are acquired through tendering process which exposes the company to intense competition and mutes the bargaining power. Moreover, aggressive bidding by different contractors exerts pressure on margins.

- **Exposure to volatile raw material prices coupled with inherent project execution risk**



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The company is exposed to volatile raw material prices, since its primary raw materials are sand, RCC, cement, steel, etc. of various types & grades, the prices of which are highly volatile in nature, the sharp fluctuations in which may lead to fluctuations in the profit margins of the firm. Moreover, it is also exposed to the inherent project execution risk in the EPC business, which factors in many aspects viz. timely availability of project site, raw materials, skilled & unskilled labour, government clearances, etc.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of assigning rating outlook](#)

### **Liquidity – Adequate**

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY24-FY26. The average fund based utilisation for the past twelve months ended June 2023 remained moderate at ~61% indicating a sufficient cushion. Absence of any debt funded capex provides further comfort to the liquidity position. Further the firm had free cash balance of Rs. 36.67 crore as on March 31, 2023, which gives strong cushion to liquidity position.

### **About the company**

VRSIPL is promoted by Sorathia family having experience of over four decades in execution of small and mid-size infrastructure projects. Presently, VRSIPL's operations are managed by Mr. Haresh Sorathia (third generation of the family), who has more than a decade of experience in the construction industry. VRISPL's client consist of government entities including central/ state governments undertakings, urban local bodies and public sector undertakings. VRSIPL's orderbook has diversified its operations across multiple segments including road, water supply & irrigation, building, bridge, railways, etc. with stronghold in road and water supply & irrigation. VRSIPL's orderbook remain diversified across multiple geographies including Madhya Pradesh, Gujarat, Bihar, Uttar Pradesh, Punjab and Kerala etc;



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albeit remain concentrated in MP and Gujarat. VRSIPL is also a sponsor for two projects awarded by MPRDC for rehabilitation and upgradation of road under HAM model. For execution of these project, VRSIPL had promoted two SPVs namely Bhojpur Mahadev Highways Private Limited (BMHPL) and 4S Highways Private Limited (4SHPL), holding 99.99% of equity shares capital in each as on March 31, 2023

### Financials (Standalone):

For the year ended* / As on	(Rs. Crore)	
	31-March-22 (Audited)	31-March-23 (Provisional)
Total Operating Income	606.55	708.88
EBITDA	71.45	80.12
PAT	36.89	43.68
Total Debt	96.99	113.87
Tangible Net-worth	123.57	191.94
EBITDA Margin (%)	11.78	11.30
PAT Margin (%)	6.05	6.12
Overall Gearing Ratio (x)	0.78	0.59

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Not applicable .

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Cash Credit	Long Term	120.00*	IVR BBB+/Stable	-	-	-
2.	Bank Guarantee	Short Term	230.00*	IVR A2	-	-	-

\*includes proposed cash credit of Rs. 2.50 crore

\*\*includes proposed Bank Guarantee of Rs. 30.00 crore

**Name and Contact Details of the Rating Analyst:**





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Name: Mr. Sandeep Khaitan

Tel: 033-4803 3621

Email: [sandeep.khaitan@infomerics.com](mailto:sandeep.khaitan@infomerics.com)

### About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit [www.infomerics.com](http://www.infomerics.com)

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit 1	-	-	-	12.00	IVR BBB+/ Stable
Cash Credit 2	-	-	-	5.50	IVR BBB+/ Stable
Cash Credit 3	-	-	-	40.00	IVR BBB+/ Stable
Cash Credit 4	-	-	-	25.00	IVR BBB+/ Stable
Cash Credit 5	-	-	-	25.00	IVR BBB+/ Stable
Cash Credit 6	-	-	-	5.00	IVR BBB+/ Stable
Cash Credit 7	-	-	-	5.00	IVR BBB+/ Stable
Proposed Cash Credit	-	-	-	2.50	IVR BBB+/ Stable
Bank Guarantee	-	-	-	50.50	IVR A2
Bank Guarantee	-	-	-	44.50	IVR A2
Bank Guarantee	-	-	-	10.0	IVR A2
Bank Guarantee	-	-	-	25.00	IVR A2
Bank Guarantee	-	-	-	25.00	IVR A2
Bank Guarantee	-	-	-	25.00	IVR A2
Bank Guarantee	-	-	-	20.00	IVR A2
Proposed Bank Guarantee	-	-	-	30.00	IVR A2

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-VRSIPL-aug23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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](http://www.infomerics.com)