



September 17, 2010

ICRA re-affirms the LA+ and A1 rating assigned to the fund based and non-fund based facilities of IVRCL Infrastructures & Projects Limited

ICRA has re-affirmed the long-term ratings of LA+ (pronounced L A plus) assigned earlier to the Rs. 100 crore term loans, Rs. 866 crore¹ fund-based facilities and Rs. 3,709 crore non-fund based facilities of IVRCL Infrastructures & Projects Limited (IVRCL)[†]. ICRA has also re-affirmed the short-term ratings of A1 (pronounced A one) assigned earlier to the Rs. 309 crore fund-based facilities and the Rs. 841 crore non-fund based facilities of IVRCL.

The ratings take into account the established position of IVRCL in the Indian infrastructure sector and its presence across diversified segments, which mitigates the risks arising out of earning volatility. The ratings also factor in IVRCL's strong order book position (at Rs.19780 crore as on July 31, 2010), which along with the buoyant outlook for the sector provides visibility of revenues in the medium term. The ratings, are however, constrained by the company's exposure to sectoral concentration (water and environment division account for about 50% of the order book outstanding) and regional concentration risks (Andhra Pradesh and Maharashtra account for about 50% of the order book outstanding). Moreover, continued reliance on debt to fund capital expenditure and rise in receivables (from Rs. 658 crore in 2007-08 to Rs. 1725 crore in 2009-10) impacted the company's profit after tax (PAT) margins and debt protection indicators. PAT margins declined from 5.7% in 2007-008 to 3.8% in 2009-10 and NCA2/ Total Debt from 21% in 2007-08 to 15% in 2009-10. The gearing also increased from 0.67 times (2007-08) to 0.87 times (2009-10).

Over the last few years, IVRCL invested significantly in BOT/BOOT³ projects which pushed up its funding requirement. In 2009-10, IVRCL amalgamated its subsidiaries holding BOT/BOOT projects with IVRCL Assets & Holdings Limited (IAHL)⁴. Since then IAHL is the holding company for IVRCL's real estate and infrastructure development projects. Thus the funding requirements for the current and future projects will be met by IAHL, for which it is in the process of raising funds through Qualified Institutional Placement (QIP) issue and also looking at monetising its land parcels. However, until the conclusion of the fund raising exercise, IVRCL is expected to extend support to IAHL. Going forward, IVRCL's ability to grow its revenues while maintaining its profitability and working capital intensity, and the extent of funding support it extends to its subsidiary IAHL will be among the key rating sensitivities.

Company Profile

IVRCL Infrastructures & Projects Limited (IVRCL) was incorporated on November 16, 1987 as I. Venku Reddy Constructions Private Ltd. and was converted into a public limited Company on September 29, 1994. IVRCL is engaged primarily in providing Engineering, Procurement, Construction and Commissioning services in major infrastructure segments including urban/rural water supply, irrigation & environment related projects, pipelines, power projects (substations and transmission & distribution Lines), buildings & industrial structures, roads & bridges. IVRCL is a widely held company with the promoter's holding at 9.61% (as on June 30, 2010) of the company's equity capital. From a small beginning as a contractor undertaking mainly building and industrial structures, IVRCL has grown to one of the largest construction companies in the country.

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

² NCA: Net Cash Accruals

³ BOT: Build, Operate and Transfer; BOOT: Build, Own, Operate and Transfer.

⁴ Earlier known as IVR Prime Urban Developers Limited. Post amalgamation the shareholding of IVRCL in IAHL increased to 80.5% from the earlier 62.4%

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ICRA Limited

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Recent Results (Standalone)

In FY10, IVRCL reported a profit after tax (PAT) of Rs. 211 crore on an operating income of Rs. 5510 crore resulting in a profit margin of 3.8% and for Q1FY11 the company reported a PAT of Rs. 28.11 crore on an operating income of Rs. 1106 crore, resulting in a PAT margin of 2.5%.

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For further details please contact:

Analyst Contacts:

Mr. Vikas Aggarwal, (Tel No. +91-124-4545300)

vikas@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee, (Tel. No. +91-44- 24333293)

jayantac@icraindia.com

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

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