

October 28, 2024

Essvy Constructions India Pvt. Ltd.: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash credit	7.00	7.00	[ICRA]BBB- (Stable); Reaffirmed
Long-term – Non-fund based – Bank guarantee	23.00	23.00	[ICRA]BBB- (Stable); Reaffirmed
Long-term – Non-fund based – Proposed	10.00	10.00	[ICRA]BBB- (Stable); Reaffirmed
Total	40.00	40.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for Essvy Constructions India Private Limited (ECIPL) factors in its comfortable financial risk profile as reflected by TOL/TNW of 0.5 times as on March 31, 2024 and healthy interest coverage of 23.9 times in FY2024, which is expected to sustain in the medium term on the back of low debt levels. The order book is adequate at Rs. 299.5 crore as on March 31, 2024 translating to OB/OI of 1.96 times and provides medium-term revenue visibility. The rating considers the company's established track record in executing railway projects and reputed client profile including Rail Vikas Nigam Limited (RVNL), Rail Infrastructure Development Company (Karnataka) Limited (K-RIDE) and South Western Railway (SWR).

The rating is, however, constrained by the company's modest scale of operations at an absolute level with revenues of Rs. 129.0 crore in FY2024, which otherwise posted a rise of 17% over FY2023 owing to healthy order execution. The order book remains concentrated with top five orders constituting 79% of the order book, with Karnataka accounting for the entire order book and high segment concentration with the entire order book limited to railway contracts. ECIPL has bought back shares worth Rs. 13.9 crore and Rs. 15.0 crore in FY2024 and H1 FY2025, respectively, which has restricted the expansion in net worth and curtailed the liquidity profile to an extent. Any sizeable cash outflow towards buyback or dividends or group investments impacting its liquidity position would hence remain a key rating monitorable.

The Stable outlook on the long-term rating reflects ICRA's opinion that ECIPL will benefit from healthy order book, its proven execution abilities and reputed client base.

Key rating drivers and their description

Credit strengths

Adequate order book position – The company has an order book of Rs. 299.5 crore as on March 31, 2024, which improved from Rs. 249.0 crore as on July 31, 2023. The order book/OI translates to 1.9 times of its revenues in FY2024 and provides medium-term revenue visibility.

Comfortable leverage and coverage metrics – The financial risk profile is comfortable with TOL/TNW of 0.5 times as on March 31, 2024 and interest coverage of 23.9 times in FY2024 due to low debt levels. The leverage and coverage metrics are expected to remain comfortable in the medium term owing to continued low debt levels. The operating profit margins remained healthy at above 12% over the last two years owing to in-house execution of projects. The operating margins are also protected with the presence of price fluctuation clauses for key raw materials in all contracts.

Established track record in execution of railway projects and reputed client profile – The company has more than three decades of experience in execution of railway construction works. It has developed new railway lines, gauge/conversion of the existing lines, earthwork and bridges in the past. The company executes works for RVNL, K-RIDE and SWR resulting in low counterparty risk.

Credit challenges

Modest scale of operations – ECIPL's absolute scale of operation remains modest with revenues of Rs. 129.0 crore in FY2024, even though it witnessed a 17% increase compared to FY2023 owing to healthy order execution. Further, the scale of operations is expected to remain modest with the company expecting revenues of more than Rs. 135.0 crore in FY2025, supported by adequate order book position.

Concentrated order book in terms of project, client, geography and segments – The order book remains concentrated with top five orders constituting 79% of the order book. Further, the geographical and segment concentration is high with the entire order book from Karnataka state railway segment works. Although top three clients contributes to 100% of the order book, comfort can be drawn from their established and reputed profile with a track record of timely receipt of payments.

Sizeable buyback of shares over past three years – ECIPL has bought back shares worth Rs. 15.5 crore, Rs. 13.9 crore and Rs. 15.0 crore in FY2023, FY2024 and H1 FY2025 impacting expansion of its net worth base, coupled with build-up of liquidity. Any sizeable cash outflow towards buyback or dividends or group investments impacting its net worth position and liquidity profile materially would remain a key rating monitorable.

Liquidity position: Adequate

ECIPL's liquidity position is adequate, given the sufficient cushion in working capital limits and free cash balances. Further, the average working capital limit utilisation remained moderate at 73% in the past twelve months ending in August 2024. The liquidity is supported by healthy cash flow from operations, low long-term debt repayment obligations and minimal capex plans in the near term.

Rating sensitivities

Positive factors – ICRA may upgrade the company's rating if healthy order inflow and timely order execution results in significant revenue growth, while maintaining the profitability margins and adequate liquidity position.

Negative factors – Pressure could arise if decline in earnings and/or any delay in payments from customers and/or sizeable buyback/dividends adversely impacting the liquidity position. Specific credit metrics that could lead to a rating downgrade is interest coverage remaining below 3.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial profile

About the company

Essvy Constructions India Pvt. Ltd. (ECIPL) formerly known as Essvy Cold Storage Private Limited was incorporated in 1999 for carrying out the business of operating cold storages. Subsequently, pursuant to a business restructuring plan, the company has taken over the contract business of Essvy Constructions (a partnership firm, under which the promoters have been

executing railway projects since 1980) with effect from April 1, 2011. ECIPL undertakes construction of new railway lines, gauge/conversion of the existing lines, earthwork and bridges.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	110.4	129.0
PAT	11.8	13.8
OPBDIT/OI	14.9%	13.9%
PAT/OI	10.7%	10.7%
Total outside liabilities/Tangible net worth (times)	0.3	0.5
Total debt/OPBDIT (times)	0.4	0.6
Interest coverage (times)	39.1	23.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs. crore)	Oct 28, 2024	Date	Rating	Date	Rating	Date	Rating
Long-term - Cash credit - Fund-based	Long Term	7.00	[ICRA]BBB-(Stable)	29-AUG-2023	[ICRA]BBB-(Stable)	29-JUL-2022	[ICRA]BBB-(Stable)	05-APR-2021	[ICRA]BBB-(Stable)
Long-term - Proposed - Non-fund based	Long Term	10.00	[ICRA]BBB-(Stable)	29-AUG-2023	[ICRA]BBB-(Stable)	-	-	-	-
Long-term - Others - Non-fund based	Long Term	23.00	[ICRA]BBB-(Stable)	29-AUG-2023	[ICRA]BBB-(Stable)	29-JUL-2022	[ICRA]BBB-(Stable)	05-APR-2021	[ICRA]BBB-(Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Cash credit	Simple
Bank guarantee	Very simple
Proposed non-fund based limits	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	-	-	-	7.0	[ICRA]BBB- (Stable)
NA	Bank guarantee	-	-	-	23.0	[ICRA]BBB- (Stable)
NA	Proposed non-fund based limits	-	-	-	10.0	[ICRA]BBB- (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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