

January 27, 2025

## Gvs Projects Private Limited: Rating reaffirmed and rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term- Fund based limits- Cash credit	12.00	17.00	[ICRA]BBB-(Stable); reaffirmed and assigned for enhanced amount
Long-term- Non-fund based limits	76.00	101.00#	[ICRA]BBB-(Stable); reaffirmed and assigned for enhanced amount
<b>Total</b>	<b>88.00</b>	<b>118.00</b>	

\*Instrument details are provided in Annexure I; #Rs.10 crore is interchangeable to CC (sublimit of BG)

### Rationale

The rating reaffirmation for GVS Projects Private Limited (GVS) factors in the comfortable financial risk profile with TOL/TNW of 0.7 times as on March 31, 2024, and interest cover of 20.3 times in FY2024, which is expected to sustain in the medium term owing to low debt levels. The rating takes comfort from the low working capital intensity with timely receipt of payments from its customers, given that the projects are either funded by multilateral or Central Government agencies. The rating continues to be underpinned by the company's established track record in execution of electrical works and diversified order book with presence in electrical and railway segments.

The rating is, however, constrained by the moderate order book position of Rs. 537.9 crore as on December 31, 2024 and execution risk with sizeable portion of the order book in the nascent stages of execution or slow moving. The revenues for GVS is expected to decline to around Rs. 200 crore in FY2025 from Rs. 340.2 crore in FY2024, mainly on account of slow order execution due to monsoon and right of way issues. GVS has achieved billings of Rs. 118 crore till December 2024, with receipt of right of way for the railway projects. With expected healthy order addition in Q4 FY2025, the order book and revenues are likely to improve in FY2026 and remains a key rating monitorable. The operating margins are modest at 6.5-7.5% over the past three years and is anticipated to remain at similar levels owing to low value addition in electrification works and railway works as the designs are provided by the respective clients. Further, the business is mainly labour intensive, and the mobilisation of semi-skilled electrical workers remains the key, which constrains the margin expansion.

The Stable outlook on the long-term rating reflects ICRA's opinion that the entity will maintain its credit profile on the back of its established track record in the construction industry and timely receipt of payments from its key customers supporting its debt profile.

### Key rating drivers and their description

#### Credit strengths

**Significant experience of promoters as electrical contractors** – The promoters have more than 15 years of experience in undertaking electrical contracts. Further, the company holds 33-KV class-I electrical license and executes supply, installation, testing and commissioning of high-voltage indoor and outdoor substations, overhead lines, power distribution systems and other electrical-related works. The company also diversified into the railway segment in FY2024 supporting its business profile.

**Reputed client profile and low working capital intensity** – The client profile includes electricity distribution companies (DISCOM) based out of Andhra Pradesh and railway departments. Further, the working capital intensity is low with timely receipt of payments from its customers, given that the projects are either funded by multilateral or Central Government agencies.

**Comfortable financial risk profile** – The company’s financial risk profile is comfortable with TOL/TNW at 0.7 times as on March 31, 2024, and interest coverage at 20.3 times in FY2024, which is expected to continue in the medium term owing to low debt levels and timely receipt of payments from its key customers.

### Credit challenges

**Moderate order book position** – The order book position is moderate at Rs. 537.9 crore as on December 31, 2024 and is exposed to execution risk with sizeable portion of the order book in the nascent stages of execution or slow moving. Given this, GVS’ revenues are expected to decline to around Rs. 200 crore in FY2025 from Rs. 340.2 crore in FY2024, after registering a healthy growth from Rs. 107.5 crore in FY2022. It achieved billings of Rs. 118 crore till December 2024 compared to Rs. 210 crore till December 2023 mainly on account slow order execution due to monsoon and right of way issues. With receipt of right of way for the railway projects and healthy order addition in Q4 FY2025, the order book and revenues are likely to improve in FY2026 and remains a key rating monitorable.

**Moderate operating margins** – The value addition in electrification works and railway works is low as the designs are provided by the respective clients, resulting in operating margins of 6.5-7.5% over the past three years ending FY2024. Although the operating margins declined to 3.6% in H1 FY2025 owing to higher fixed expenses, it is expected to improve to more than 6% for FY2025 with improved billing in Q4 FY2025 and remains a key monitorable. The business is mainly labour intensive, and the mobilisation of semi-skilled electrical workers remains the key, which constrains the margin expansion. ICRA notes that the company’s operating margins are exposed to the volatility in key raw material prices (mainly copper and steel) as most of the orders include fixed-priced contracts. However, the short duration of the execution cycle mitigates the risk to an extent.

**High geographical and client concentration risks** – The geographical concentration remains high with Andhra Pradesh accounting for 75% of the outstanding order book as on December 31, 2024. Further, the company derived more than 90% of its revenues during the past three years from its top two clients, resulting in high customer concentration risk. With the top two clients contributing to more than 80% of the outstanding order book, the client concentration is expected to remain high in the near term.

### Liquidity position: Adequate

The company’s liquidity position is adequate as reflected by the cushion available in its working capital limits and timely receipt of payments from its key customers. The average working capital limit utilisation is moderate at 40.9% of the sanctioned limits during the twelve months that ended in September 2024. Further, the cash flow from operations is expected to be sufficient for low capex, minimal repayments and working capital requirements.

### Rating sensitivities

**Positive factors** – The rating could be upgraded if there are healthy order additions, along with improved business diversification and/or sustained improvement in scale of operations and profitability margins, while maintaining coverage indicators.

**Negative factors** – Pressure on the rating may arise if there is a decline in the company’s scale of operations, operating profitability and/or elongation in cash conversion cycle adversely impacts its financial performance and liquidity position. A specific credit metric for a rating downgrade is interest coverage less than 3.0 times, on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Construction</a>
Parent/Group support	Not applicable

Consolidation/Standalone	Standalone
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## About the company

GVS Projects Private Limited (GVS) was incorporated in 2003 and is a class-I electrical and civil contractor in Andhra Pradesh executing projects involving HT and LT substations, transmission lines, external and internal electrification and underground cabling works for the Government and private clients. The company undertakes civil construction works for substations, electrical control buildings and other minor civil construction projects. It also diversified into the railway segment in FY2024 supporting its business profile.

### Key financial indicators (audited)

	FY2023	FY2024
Operating income (Rs. crore)	322.5	340.2
PAT (Rs. crore)	16.8	17.7
OPBDIT/OI (%)	7.5%	7.3%
PAT/OI (%)	5.2%	5.2%
Total outside liabilities/Tangible net worth (times)	0.6	0.7
Total debt/OPBDIT (times)	0.0	0.3
Interest coverage (times)	15.0	20.3

Source: Company data, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore\*

### 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)	Jan 27,2025	Date	Rating	Date	Rating	Date	Rating
Long-term - Cash credit - Fund-based	Long Term	17.00	[ICRA]BBB-(Stable)	05-FEB-2024	[ICRA]BBB-(Stable)	04-NOV-2022	[ICRA]BBB-(Stable)	30-DEC-2021	[ICRA]BBB-(Stable)
Long-term - Others - Non-fund based	Long Term	101.00	[ICRA]BBB-(Stable)	05-FEB-2024	[ICRA]BBB-(Stable)	04-NOV-2022	[ICRA]BBB-(Stable)	30-DEC-2021	[ICRA]BBB-(Stable)
Long-term - Unallocated	Long Term	-				04-NOV-2022	[ICRA]BBB-(Stable)	30-DEC-2021	[ICRA]BBB-(Stable)

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Cash credit	Simple
Bank guarantee	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	NA	NA	NA	17.00	[ICRA]BBB- (Stable)
NA	Bank guarantee	NA	NA	NA	101.00	[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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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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