

## GVPR Engineers Limited (REVISED)

Instrument	Amount	Rating Action
	In Rs. crore	
Fund based limits	197.00	[ICRA]A(Stable); upgraded from [ICRA]A-(Stable)
Long term -Non Fund Based Limits	665.00	[ICRA]A(Stable); upgraded from [ICRA]A-(Stable)
Short term -Non Fund Based Limits	163.00	[ICRA]A1; upgraded from [ICRA]A2+
Long Term/Short Term-Non Fund Based	375.00	[ICRA]A(Stable); upgraded from [ICRA]A-(Stable)/ upgraded to [ICRA]A1 from [ICRA]A2+
Unallocated Limits	250.00	[ICRA]A(Stable); upgraded from [ICRA]A-(Stable)/ upgraded to [ICRA]A1 from [ICRA]A2+

ICRA has upgraded the long term rating assigned to the Rs.197.00 crore\* (Rs. 203.00 crore earlier) fund based and Rs. 665.00 crore (Rs. 479.00 crore earlier) non-fund based facilities of GVPR Engineers Limited † (GVPR) to [ICRA]A (pronounced ICRA A) from [ICRA]A- (pronounced ICRA A Minus). ICRA has also upgraded the short-term rating to the Rs.163.00 crore (Rs 146 crore earlier) non-fund based facilities to [ICRA]A1 (pronounced ICRA A one) from [ICRA]A2+ (pronounced ICRA A two plus). ICRA has also upgraded the ratings assigned to the Rs. 375.00 crore Long term/Short term non-fund based limits(enhanced from Rs.336.00 crore) and Rs. 250.00 crore unallocated limits to [ICRA]A/[ICRA]A1 from [ICRA]A-/ [ICRA]A2+(enhanced from Rs.234.00 crore earlier).The outlook on the long term rating is 'stable'.

The revision in ratings takes into account the healthy growth of 30% in operating income (OI) to Rs. 1359.03 crore during FY2016 primarily driven by Sauni Yojana and Telangana water grid projects which together accounted for 50% of total revenues. OI grew at a healthy CAGR of 27% during FY2011-FY2016 led by strong order book coupled with healthy pace of execution. Further, the pending order book of Rs.4105 crore as on March 31, 2016 with OB/OI<sup>1</sup> ratio of 3.02 times provides near term revenue visibility. The ratings also get supported by GVPR's healthy financial risk profile as reflected by its comfortable debt coverage indicators viz. interest coverage at 2.33 times, Debt/OPBIDTA of 0.33 times and gearing of 0.08 times as on 31<sup>st</sup> March 2016. The ratings continue to factor in the established track record of operations of over three decades supported by the experienced management with demonstrated capabilities across segments such as drinking water supply, irrigation, electrical works, etc.

The ratings are however constrained by the high project and client concentration risks as the top three projects are likely to account for the ~70% of the revenues for FY2017 and the execution risks for newly awarded projects (i.e., with less than 10% completion) in the state of Telangana which accounts for around 48% of current order book. Hence, securing all the design approvals for the new projects in a timely manner will facilitate the planned growth in revenues. Further, timely collection of receivables as envisaged and completion of the project with time bound commitment by the company and active supervision of Government will smoothen the receivable position. The working capital intensity has improved from 35% in FY2015 to 19% in FY2016 due to improvement in collection period to 105 days in FY2016 against 159 days in FY2015.TOL/TNW has also shown improvement from 2.75 times as on March 31, 2015 to 1.35 times as on March 31, 2016 primarily on account of decline in working capital borrowings from Rs.169 cr to Rs. 33 cr during this period.

Going forward, the ability of the company to maintain its working capital cycle and faster ramp up of execution across its large and new orders will be important to achieve growth in its revenues and profits.

### Company Profile

GVPR Engineers Limited was incorporated in 1997 by Mr. G.S.P. Veera Reddy and his family members for executing civil engineering projects. Over a period of time it diversified from civil construction projects into engineering, procurement and construction (EPC) services for electrical and irrigation works. Currently, GVPR's operations can be broadly divided into three segments viz. Water supply & lift Irrigation projects, civil works and EPC of transmission and distribution lines & substations. With effect from 1<sup>st</sup> April, 2014, its group

\* 100 lakh = 1 crore = 10 million

<sup>1</sup> OB/OI=order book to operating income for FY2016



Company GSP Infratech Development Pvt. Ltd has got merged with GVPR with the first balance sheet of the merged entity prepared as at 31<sup>st</sup> March, 2016; the same has resulted in increase in consolidated network by Rs. 99.43 crore.

#### **Recent Results**

As per the audited results, the company reported turnover of Rs. 1359.03 crore and net profit of Rs. 45.06 crore during FY2016 as against turnover of Rs. 1045.81 crore and net profit of Rs. 29.66 crore in FY2015.

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