



IVRCL Infrastructures and Projects Limited

ICRA has revised the rating assigned to the Rs. 3.41 billion fund based limit and the Rs. 25.17 billion non-fund based limit of IVRCL Infrastructures and Projects Limited (IVRCL) to LA+ (pronounced as L A Plus) from LAA- earlier. The revised rating indicates adequate credit quality in the long term. ICRA has also revised the rating assigned to the Rs. 3.09 billion fund based limit and the Rs. 5.6 billion non-fund based limit to A1 (pronounced as A one) from A1+ earlier. The revised rating continues to indicate the highest credit quality in the short term; a plus or minus sign appended to the rating indicates the relative position of the rated company within the rating category. Further, ICRA has also assigned an LA+ rating to the Rs. 5.25 billion fund based limit, Rs. 11.92 billion non-fund based limit and the Rs. 1 billion term loan programme and an A1 rating to the Rs. 2.81 billion non-fund based limit of IVRCL.

The rating revision to LA+/A1 reflects the increase in competitive pressures on account of the economic slowdown which may further stress IVRCL's profitability going forward. The rating revision also factors in the increase in IVRCL's borrowing levels (including through short term borrowings) and its exposure to the real estate sector through its subsidiary, IVR Prime Urban Developers Limited (IPUDL)¹. The ratings, however, continue to favourably factor in IVRCL's established position in the Indian construction and infrastructure sectors, long track record of operations, reputed and diversified client profile which reduces geographical concentration risk and its successful execution track record which, coupled with, a strong order book provides high visibility to revenues over the medium term. IVRCL is, besides, also undertaking various measures to reduce its working capital intensity including through close monitoring of projects and stringent monitoring of receivables.

Company Profile

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 9.73% 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. IVRCL's standalone operating income and net profit for 2007-08 were at Rs. 36.61 billion and Rs. 2.11 billion respectively and for the nine months ended December 31, 2008 were at Rs. 32.55 billion and Rs. 1.46 billion respectively. Consolidated operating income and net profit was at Rs. 38.56 billion and Rs. 3.33 billion respectively for 2007-08.

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¹ While IPUDL has limited external borrowings it has significant land payments due for its current land bank



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