GPT Infraprojects Limited

February 04, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	554.21	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Facilities	554.21 (Rs. Five Hundred Fifty-Four Crore and Twenty-One Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from GPT Infraprojects Limited (GPTIL) to monitor the rating(s) vide e-mail communications/letters dated July 01, 2020, December 14, 2020 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, GPTIL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on GPTIL's bank facilities will now be denoted as **CARE BB-; ISSUER NOT COOPERATING*.**

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to the bank facilities of GPTIL have been revised on account of inability to monitor the performance of the company going forward due to non-cooperation by the issuer which is critical for assessing the credit profile of the company.

Detailed description of the key rating drivers

At the time of last rating on February 25, 2020 the following were the rating strengths and weaknesses (updated for information available from the company):

Key Rating Weaknesses

Working capital intensive nature of the business leading to leveraged capital structure: GPTIL's business is working capital intensive on account of high collection period as payments by the client are made on achievement of certain milestones and blockage of retention money due to long duration of construction projects, which gets released after the successful completion of performance guarantee test period. In addition the company needs to maintain inventory mainly of steel and cement for timely execution of projects. The average collection period (including retention money not due and unbilled revenue) although improved but remained high at 145 days in FY20 (182 days in FY19). As a result, the working capital cycle improved but remained stretched at 115 days in FY20 (137 days in FY19). The working capital borrowings (including mobilisation advances) remained high to finance the long operating cycle and there were instances of overdrawals in cash credit facilities which were regularized within 30 days. Overall gearing stood at 1.09x as on March 31, 2020 vis-à-vis 1.79x as on March 31, 2019.

Audit observations/qualifications: The Statutory auditor has raised audit observations as on March 31, 2020 regarding internal financial controls for evaluation of recoverability of unbilled revenue, accrued prices escalations, trade receivables on significantly completed construction contracts which were not operating effectively and could potentially result in the company a) not recognizing appropriate provision in the financial statement in respect of assets that are doubtful of recovery/ credit impaired, b) not appropriately measuring the fair value of those financial assets & c) not appropriately classifying the above assets as non-current.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

**Issuer did not cooperate; Based on best available information*

Profitability susceptible to volatility in input prices: Steel and cement are the major inputs, the prices of which are highly volatile in nature and impact profitability. However, GPTIL has a price escalation clause in all the contracts where variation in raw-material prices is linked to Wholesale Price Index and variation in labour cost is linked to Consumer Price Index. The presence of price variation clause mitigates the risk of volatility in input prices to a certain extent.

Key Rating Strengths
Experienced promoters: The promoters are engaged in execution of civil construction work for more than a decade and manufacturing of concrete sleepers for more than 4 decade. The day-to-day affairs of the company are looked after by Mr. Shree Gopal Tantia, MD and Mr. Atul Tantia, Director under the guidance of Mr. Dwarika Prasad Tantia, Chairman and support of experienced professionals.

Strong order book position: The order book position of the company continued to remain strong with the outstanding orders of Rs.1740 crore as on September 30, 2019 (representing 2.97x of total operating income in FY19).

Reputed client portfolio: GPTIL's order book consist of orders mostly for Infrastructure division from reputed public sectors entities like Eastern Railways, Northern Railways, Rail Vikas Nigam Limited, Northeast Frontier Railway, PWD Govt. of Tripura, DVC, NHAI, etc. The company is also getting repeat orders from these entities due to its satisfactory track record. The company also has a substantial order for sleeper division from an established private player - GMR Infrastructure Limited for dedicated Eastern Freight Corridor (U.P) project.

Stable financial performance in FY19 and 9MFY20: GPTIL's total operating income grew by 6.11% y-o-y from 586.24 crore in FY19 to Rs.622.04 crore in FY20 on account of execution of order book in infrastructure division.
PBILDT margin improved from 12.28% in FY19 to 13.51% in FY20. PAT Margin declined from 2.13% in FY19 to 2.06% in FY20. The company reported PAT of Rs.6.89 crore on total income of Rs.229.89 crore in H1FY21.

Liquidity: **Stretched**
The company earned a GCA of Rs.34.11 crore vis-à-vis debt repayment of Rs. 5.12 crore in FY20. Further, debt repayment obligation in FY21 stands at Rs. 10.79 crore. Average fund based utilization for last 12 months ended October, 2019 stood high at ~98% on account of high receivables. Going forward, the Company expects to recover its old debtors which remain crucial from liquidity perspective.

Analytical approach: Consolidated.
The company has operational and financial linkage with the subsidiaries and Joint Venture and under common management.

Applicable Criteria
Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook and credit watch to Credit Ratings
CARE's Policy on Default Recognition
CARE's methodology for manufacturing companies
Rating Methodology - Infrastructure Sector Ratings (ISR)
Rating Methodology – Consolidation and Factoring Linkages in Ratings
Financial ratios – Non-Financial Sector
Rating methodology – Construction Sector

About the Company
GPTIL, erstwhile known as Tantia Concrete Products Private Ltd, incorporated in 1980, operates in two segments – Infrastructure Division and Sleeper Division. Infrastructure division is involved in civil infrastructure projects for roads, bridges, highways, railways, irrigation, etc and Sleeper Division is engaged in manufacturing of concrete sleepers for railway tracks, with an installed capacity of 19,80,000 units of concrete sleepers. GPTIL is the flagship company of the GPT Group. The other major group companies are GPT Healthcare Pvt Ltd and GPT Castings Ltd (GPTCL). GPTHPL operates 4 multi-specialty hospitals (2 in Kolkata, 1 in Howrah and 1 in Agartala) under the banner of 'ILS Hospitals'. GPTCL is engaged in manufacturing of SG cast iron products for Indian Railways.

The day-to-day affairs of the company are looked after by Mr. Shree Gopal Tantia, MD, and Mr. Atul Tantia, Executive Director, along with the support from experienced professionals under the guidance of Mr. Dwarika Prasad Tantia, Chairman.

Brief Financials - Consolidated (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	586.24	622.04
PBILDT	71.99	84.04
PAT	12.66	12.83
Overall gearing (times)*	1.79	1.09
Interest coverage (times)	1.72	2.03

**Including mobilisation advances*
A: Audited; U/A: Unaudited.
Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Available
Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	210.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantees	-	-	-	344.21	CARE BB-; Stable; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	210.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (25-Feb-20) 2)CARE BBB-; Stable (25-Dec-19)	1)CARE BBB; Stable (08-Oct-18)	1)CARE BBB; Stable (08-Sep-17)
2.	Non-fund-based - LT-Bank Guarantees	LT	344.21	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (25-Feb-20) 2)CARE BBB-; Stable (25-Dec-19)	1)CARE BBB; Stable (08-Oct-18)	1)CARE BBB; Stable (08-Sep-17)

**Issuer did not cooperate; Based on best available information*

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - LT-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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