

## G R Infraprojects Limited (Revised)

October 04, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	450.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Long-term / Short-term bank facilities	4,500.00 (Enhanced from 4,000.00)	CARE AA; Stable / CARE A1+ (Double A; Outlook: Stable/ A One Plus)	Reaffirmed
Short-term bank facilities	400.00 (Enhanced from 300.00)	CARE A1+ (A One Plus)	Reaffirmed
<b>Total bank facilities</b>	<b>5,350.00</b> <b>(₹ Five thousand three hundred fifty crore only)</b>		
Non-convertible debentures	150.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Non-convertible debentures	100.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Non-convertible debentures	50.00	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
<b>Total Long-term instruments</b>	<b>300.00</b> <b>(₹ Three hundred crore only)</b>		
Commercial paper (Carved out of working capital)*	100.00	CARE A1+ (A One Plus)	Reaffirmed
<b>Total Short-term instruments</b>	<b>100.00</b> <b>(₹ One hundred crore only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The reaffirmation in the ratings assigned to the bank facilities and instruments of G R Infraprojects Limited (GRIL) takes into account the sustained growth in its scale of operations with healthy profitability. The total operating income (TOI) grew at a compounded annual growth rate (CAGR) of 26% over the past four years ended March 31, 2022. The operating margin of the company moderated by 202 bps during FY22 (refers to the period April 1 to March 31) on account of surge in the prices of commodity. However, the operating margins are supported by ownership of sizeable equipment fleet, low reliance on sub-contracting and backward integration for few raw materials used in road construction.

Healthy outstanding order book position with diversified presence across various states is a credit positive. The ratings favourably factor in the operational status of seven National Highways Authority of India (NHAI) hybrid annuity model (HAM) projects with adequate debt coverage indicators. In addition, the established track record of the company in executing road projects, experienced management and strong financial risk profile of GRIL marked by low leverage, strong debt coverage indicators as well as robust liquidity continue to support the ratings.

The above rating strengths, however, continue to be tempered by GRIL's working capital intensive operations marked by exposure to build-operate-transfer (BOT) projects and limited segmental revenue diversification exposing it to the intense competition within the road sector.

CARE Ratings Limited (CARE Ratings) also takes cognisance of the matter with respect to certain allegations made against the company and its three employees by Central Bureau of Investigation (CBI) in their FIR dated June 12, 2022, relating to corruption and bribing of the officials of NHAI. CARE Ratings has made a credit update of the same via press release dated June 22, 2022. There are no updates on the said matter except of the fact that the said employees have been granted bail.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Successful monetisation of its HAM portfolio resulting into further strengthening of leverage with total debt to PBILDT in the range of 0.50-0.75x on a sustained basis.
- Healthy growth in its scale of operations led by segmental diversification of its order book on a sustained basis.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Negative factors – Factors that could lead to negative rating action/downgrade:

- Significant increase in the debt levels leading to deterioration in total debt /PBILDT on a sustained basis.
- Aggressive addition of BOT projects resulting in high exposure of its investments and advances against the net worth on a sustained basis.

### Detailed description of the key rating drivers

#### Key rating strengths

**Continued growth in the scale of operations coupled with stable profitability:** The TOI of GRIL registered a CAGR of 26% for the past four years ended March 31, 2022. During FY22, GRIL registered a TOI of ₹7,920 crore marking y-o-y growth of 9% due to healthy execution of orders. The PBILDT margins of GRIL moderated by 202 bps during FY22 on account of surge in the commodity prices. However, the PBILDT margins continued to remain healthy at 16.19% during FY22 supported by lower proportion of subcontracting work. During Q1FY23, GRIL registered TOI of ₹2,509 crore as against TOI of ₹2,163 crore during Q1FY22. The operating margins of the company improved to 20.66% on account of the receipt of early completion bonus.

**Healthy outstanding order book position of the company:** GRIL had a healthy outstanding order book position of ₹17,614 crore as on May 31, 2022, indicating revenue visibility of 2.22x of FY22 TOI. GRIL is also declared lowest bidder (L1) in orders to the tune of ₹592 crore. Majority of these orders are with price variation clause, thereby shielding GRIL's profitability from adverse movement in the prices to an extent. The order book is also geographically diversified with presence in more than 11 states, with no state contributing more than 20% of the order book. Going forward, the contract receipt is expected to witness healthy growth in the medium term with steady project execution.

#### Operational status of seven of its NHAI HAM with steady project progress of under-construction HAM projects:

GRIL has a portfolio of 17 BOT projects, which include one operational NHAI annuity project, 22 HAM projects, of which seven HAM projects are operational, seven are under construction, and balance eight HAM projects are yet to receive the appointed date. All the under-construction HAM projects are progressing on schedule and are estimated to achieve on-time commissioning.

**Low leverage and strong debt coverage indicators:** Despite growth in the scale of operations, the total debt of GRIL reduced to ₹1,229 crore as on March 31, 2022 from ₹1,646 crore as on March 31, 2021, on account of the repayment of mobilisation advances and non-utilisation of working capital limits. The total outside liability to total net worth (TOL/TNW) improved to 0.53x as on March 31, 2022 from 0.75x as on March 31, 2021. The overall gearing also improved to 0.28x as on March 31, 2022 from 0.46x as on March 31, 2021. The debt coverage indicators strengthened marked by total debt/ PBILDT of 0.96x and interest coverage of 10.11x during FY22.

**Established track record in road construction with most of its projects completed ahead of schedule:** GRIL has an established presence in road construction spanning over four decades and has executed projects in various states across the country. The company has a sound track record in road construction with most of its projects being completed on time, as it largely relies on its own resources. GRIL also owns a sizeable fleet of construction equipment, which provides the company with required flexibility in execution of its projects. The fixed assets turnover ratio of GRIL also continued to remain healthy over the past four years. In addition, GRIL's operations are backwardly integrated with emulsion manufacturing unit, fabrication and galvanising unit and pole manufacturing unit, which has translated into better profitability.

**Experienced management:** GRIL's operations are managed under the leadership of Vinod Kumar Agarwal, Chairman of GRIL, who possess vast experience in the roads construction sector. He is ably supported by his brother, Ajendra Agarwal as the Managing Director, and other three brothers in key leadership positions in GRIL. Although Vinod Kumar Agrawal oversees the functioning of the company, the responsibilities are fairly divided amongst the family members.

The promoter stake is 86.54% in GRIL as on June 30, 2022. The board of directors comprise nine members with presence of five independent directors. GRIL has recruited experienced professionals for taking the day-to-day decisions and aid the promoters in strategic decision-making. However, overall management is family-centric.

#### Various initiatives undertaken by the Government of India (GOI) to improve the prospects of the road construction sector:

GOI through NHAI (rated 'CARE AAA; Stable') has taken various steps to improve the prospects of the road sector. These include bidding of tenders only after 80% land has been acquired for the project, release of 75% of arbitration award against submission of bank guarantee and 100% exit for developers after two years of project completion. NHAI has made favourable changes in the clauses of model concession agreement of HAM projects in November 2020 and linked interest annuities to average marginal cost of funds-based landing rate (MCLR) of top five schedule commercial banks in place of bank rate albeit has also linked the interest on mobilisation advances to MCLR as against the bank rate. However, competition had intensified in the sector during Q4FY21 and FY22 in terms of bidders' participation and deviation in bidding from authority cost amidst hike in steel and cement prices. It is expected to result in challenges in achieving financial closure for those projects.

### Key rating weaknesses

**Exposure to BOT projects:** GRIL's exposure to subsidiaries in the form of investment and loans advances stood at ₹1,320 crore as on March 31, 2022, owing to equity commitments in HAM projects, however, it continued to remain moderate at 30% of net worth as on March 31, 2022. GRIL would be required to invest around ₹2,087 crore for its 15 on-going HAM projects (seven under-construction and eight yet to receive appointed date) and one transmission project over FY23-FY25. GRIL has also extended corporate guarantee of ₹246 crore to its state HAM project, which has self-sustainable operations. During FY22, GRIL has incorporated its Investment Trust (InvIT), i.e., 'Bharat Highways InvIT', under which it plans to monetise its existing seven HAM projects. Monetisation of the existing HAM assets and extent of exposure in BOT projects along with its impact on the capital structure are key rating monitorable.

**Limited segmental revenue diversification:** Historically, GRIL has been engaged in road construction in various parts of the country with predominant focus on the road sector. GRIL took upon a project in the non-road sector for laying cables in the eastern and north-eastern region of the country in FY16 and project pertaining to construction of railway infrastructure in FY17 and FY18. Nonetheless, the road sector contributed around 90%-95% of GRIL's revenue, making it heavily dependent on opportunities in this segment of the road construction sector. However, GRIL has secured a transmission project amounting to ₹373 crore during FY22, which has aided in segmental diversification of the order book. Thus, GRIL's limited segmental revenue diversification is viewed as a credit weakness.

### Liquidity: Strong

The operations of GRIL are working capital intensive. The gross current asset days and the operating cycle of the company remained at 160 days and 69 days, respectively, during FY22. GRIL had free cash and cash equivalent of ₹233 crore as on July 31, 2022. The average of utilisation of the fund-based working capital limits remained moderately low at 16% for the trailing 12 months ended June 2022.

### Analytical approach

CARE Ratings has considered the standalone financials of GRIL while assessing its credit risk profile. However, GRIL's equity commitments in its under-construction special purpose vehicles (SPVs), and support, if any, required during construction and operational phase has also been suitably factored in its analysis. Furthermore, GRIL has also extended corporate guarantee to its operational state HAM project- Nagaur Mukundgarh Highways Private Limited, which has also been factored in the analysis.

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Construction](#)

[Policy on Withdrawal of Ratings](#)

### About the company

Incorporated in 1995, GRIL is engaged in road construction in various states across the country with large part of its present order book being from NHAI and MoRTH. In addition to construction of roads on engineering, procurement and construction (EPC) basis, GRIL also undertakes construction of road projects on BOT basis. GRIL owns three emulsion manufacturing plants having an aggregate installed capacity of 84,960 MTPA at Udaipur, Lucknow and Assam. It also has in-house fabrication and galvanising unit (24,000 MT) as well as pole manufacturing unit. The company has a repair and maintenance workshop at Udaipur.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (UA)
Total operating income	7,250	7,920	2,509
PBILDT	1,320	1,282	518
PAT	781	761	321
Overall gearing (times)	0.46	0.28	NA
Interest coverage (times)	9.44	10.11	19.24

A: Audited; UA: Unaudited; NA: Not available

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - ST-Working capital demand loan	-	-	-	-	400.00	CARE A1+
Fund-based-Long term	-	-	-	-	450.00	CARE AA; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	4500.00	CARE AA; Stable / CARE A1+
Debentures-Non-convertible debentures	INE201P08159, INE201P08167	-	6.40%	March 27, 2024 December 27, 2024	150.00	CARE AA; Stable
Debentures-Non-convertible debentures	INE201P08175	-	6.95%	June 03, 2025	99.00	CARE AA; Stable
Debentures-Non-convertible debentures – Proposed	-	-	-	-	1.00	CARE AA; Stable
Debentures-Non-convertible debentures - Proposed	-	-	-	-	50.00	CARE AA; Stable
Commercial paper-Commercial paper (Carved out)	-	-	-	7-364 days	100.00	CARE A1+

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based-Long term	LT	450.00	CARE AA; Stable	1)CARE AA; Stable (06-Sep-22) 2)CARE AA; Stable (18-Aug-22)	1)CARE AA; Stable (16-Dec-21) 2)CARE AA; Stable (07-Jul-21)	1)CARE AA; Stable (18-Jan-21) 2)CARE AA; Stable (18-Nov-20)	1)CARE AA-; Positive (28-Jan-20) 2)CARE AA-; Positive (28-Aug-19)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	4500.00	CARE AA; Stable / CARE A1+	1)CARE AA; Stable / CARE A1+ (06-Sep-22) 2)CARE AA; Stable / CARE A1+ (18-Aug-22)	1)CARE AA; Stable / CARE A1+ (16-Dec-21) 2)CARE AA; Stable / CARE A1+ (07-Jul-21)	1)CARE AA; Stable / CARE A1+ (18-Jan-21) 2)CARE AA; Stable / CARE A1+ (18-Nov-20)	1)CARE AA-; Positive / CARE A1+ (28-Jan-20) 2)CARE AA-; Positive / CARE A1+ (28-Aug-19)
3	Term loan-Long term	LT	-	-	-	-	-	1)Withdrawn (28-Aug-19)
4	Debentures-Non convertible debentures	LT	-	-	-	-	-	1)Withdrawn (28-Aug-19)

5	Debentures-Non convertible debentures	LT	-	-	-	-	1)Withdrawn (06-Aug-20)	1)CARE AA-; Positive (28-Aug-19)
6	Commercial paper-Commercial paper (Carved out)	ST	100.00	CARE A1+	1)CARE A1+ (06-Sep-22) 2)CARE A1+ (18-Aug-22)	1)CARE A1+ (16-Dec-21)	1)CARE A1+ (18-Nov-20)	-
7	Fund-based - LT-Term loan	LT	-	-	1)Withdrawn (06-Sep-22) 2)CARE AA; Stable (18-Aug-22)	1)CARE AA; Stable (16-Dec-21) 2)CARE AA; Stable (07-Jul-21)	1)CARE AA; Stable (18-Jan-21)	-
8	Fund-based - ST-Working capital demand loan	ST	400.00	CARE A1+	1)CARE A1+ (06-Sep-22) 2)CARE A1+ (18-Aug-22)	1)CARE A1+ (16-Dec-21) 2)CARE A1+ (07-Jul-21)	1)CARE A1+ (18-Jan-21)	-
9	Debentures-Non convertible debentures	LT	150.00	CARE AA; Stable	1)CARE AA; Stable (06-Sep-22) 2)CARE AA; Stable (18-Aug-22)	1)CARE AA; Stable (16-Dec-21) 2)CARE AA; Stable (04-Oct-21)	-	-
10	Debentures-Non convertible debentures	LT	100.00	CARE AA; Stable	1)CARE AA; Stable (06-Sep-22) 2)CARE AA; Stable (18-Aug-22)	1)CARE AA; Stable (11-Jan-22)	-	-
11	Debentures-Non convertible debentures	LT	50.00	CARE AA; Stable	1)CARE AA; Stable (06-Sep-22) 2)CARE AA; Stable (18-Aug-22)	-	-	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Commercial paper-Commercial paper (Carved out)	Simple
2	Debentures-Non-convertible debentures	Complex
3	Fund-based-Long term	Simple
4	Non-fund-based - LT/ ST-BG/LC	Simple
5	Fund-based-Short term-WCDL	Simple

**Annexure-5: Bank lender details for this company**

To view the lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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