GPT Infraprojects Limited

January 18, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn
Total Bank Facilities	**0.00 (Rs. Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BB-; ISSUER NOT COOPERATING' [Double B Minus; Outlook: Stable; ISSUER NOT COOPERATING] assigned to the bank facilities of GPT Infraprojects Limited (GPTIL) with immediate effect. The above action has been taken at the request of GPTIL and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

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) remained high at 181 days in FY21 (169 days in FY20). As a result, the working capital cycle remained stretched at 130 days in FY21 (113 days in FY20). 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 1.63x as on March 31, 2021, vis-à-vis 1.65x as on March 31, 2020 (Mobilisation advance has been treated as debt).

Audit observations/qualifications: The Statutory auditor has raised audit observations as on March 31, 2021 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.

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.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Stable financial performance in FY21 and H1FY22: GPTIL's total income from operations remained stable in FY21 at Rs. 614.91 crores as against Rs.621.58 crores in FY20. The PBILDT and PAT margins improved from 13.45% and 2.06% in FY20 to 14.80% and 3.33% in FY21 respectively.
The operating income stood at Rs.251.48 crore in H1FY22 with PBILDT and PAT margins of 14.67% and 3.03% respectively.

***Liquidity:* Stretched**
The company earned a GCA of Rs.43.38 crore vis-à-vis debt repayment of Rs. 7.36 crore in FY21. Further, debt repayment obligation in FY22 stands at Rs. 10.49 crore. The company has cash and liquid investments of Rs.2.50 crores as on March 31, 2021.

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

Applicable Criteria
Policy on Withdrawal of Ratings
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 (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (UA)
Total operating income	621.58	614.91	251.48
PBILDT	83.59	91.03	36.88
PAT	12.83	20.48	7.63
Overall gearing (times)	1.65	1.63	Not Available
Interest coverage (times)	2.02	2.32	1.95

A: Audited
Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: *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 (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - LT-Bank Guarantees		-	-	-	0.00	Withdrawn

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (04-Feb-21)	1)CARE BB+; Stable (25-Feb-20) 2)CARE BBB-; Stable (25-Dec-19)	1)CARE BBB; Stable (08-Oct-18)
2	Non-fund-based - LT-Bank Guarantees	LT	-	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (04-Feb-21)	1)CARE BB+; Stable (25-Feb-20) 2)CARE BBB-; Stable (25-Dec-19)	1)CARE BBB; Stable (08-Oct-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT-Bank Guarantees	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 instrument: CARE Ratings Ltd. 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 for any clarifications.

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About CARE Ratings Limited:
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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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