

## Vishnu Prakash R Punglia Limited

May 03, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	150.00	CARE BBB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	360.00	CARE BBB+; Stable / CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Vishnu Prakash R Punglia Limited (VPRPL) takes cognisance of significant growth in its scale of operations along with improvement in its profitability as per FY23 provisional results (refers to period April 01 to March 31), augmentation of its net-worth base post receipt of pre-IPO money, healthy accretion of profits to reserves, and healthy debt coverage metrics.

The ratings, further continue to derive comfort from its experience promoters with established track record of operations in execution of water supply projects, healthy revenue visibility in medium term backed by healthy orderbook position and strong focus of the central/ state government on executing water resource development projects.

The above ratings, however, continues to remain constrained on account of high working capital intensity leading to blockage of funds, geographical and segmental concentration operations, its presence in a highly fragmented and competitive tender driven construction industry and execution risk associated with projects at nascent stage of execution.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in its liquidity cushion in terms of unutilized credit lines and gross current asset days below 150 days on a sustained basis.
- Timely execution of the current orders in hand while maintaining the profitability margins at the existing level on a sustained basis.
- Segmental and geographical diversification in the order book.

#### Negative factors

- Delay in execution of work orders on hand resulting in significant decline in its total operating income (TOI) and/or reduction in PBILDT margin below 10% on a sustained basis
- Increase in working capital intensity resulting in higher reliance on bank borrowings thereby adversely affecting debt coverage as well as liquidity
- Deterioration in its overall gearing beyond 1.00x on a sustained basis

**Analytical approach:** Standalone

### Outlook: Stable

Stable outlook is on account of CARE Ratings Limited's (CARE ratings) expectation that VPRPL will continue to benefit from its experienced promoters, healthy orderbook position and thrust of the government on development of water infrastructure development in the country.

### Key strengths

#### Significant growth in scale of operations with improvement in profitability margins during FY23

VPRPL's total operating income (TOI) grew significantly by 71% y-o-y basis to Rs.763.98 crore during FY22 (FY21: 447.44 crore) backed by healthy order book along with an improved execution pace of work orders on hand. The growth momentum continued in FY23 as well, with increase in TOI by 44% on a y-o-y basis to Rs.1101 crore during FY23 (Provisional).

Further, as per the provisional results of FY23, the PBILDT margin of the company also improved by around 271 bps on a y-o-y basis to 13.64% during FY23 (FY22: 10.93%), owing to higher margin in few contracts executed by the company and arrangement with suppliers for price fixation in few projects. Consequently, the PAT margins also improved by 228 bps on a y-o-y basis to 8.29% (FY22: 6.01%)

<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

**Healthy orderbook position with limited counter-party credit risk**

VPRPL had a strong order book of Rs.3,467 crore as on March 31, 2023 (July 01, 2022: Rs.3,979 crore), resulting in healthy revenue visibility of 3.15x on FY23 (provisional) TOI base. Since the last review, VPRPL has been awarded orders worth Rs.916 crore. VPRPL's entire orderbook is from reputed government entities including central/ state governments undertakings, urban local bodies along with reported public sector undertakings, translating into limited counterparty risk.

**Improvement in its financial risk profile**

Significant increase in TOI, healthy accretions of profits to reserves and receipt of pre-IPO money has improved VPRPL's overall gearing to around 0.69x as on March 31, 2023 (0.92 times as on March 31, 2022). Further with improvement in profitability during FY23, PBILDT interest coverage ratio and TD/GCA improved to 6.20x (FY22: 3.66x) and 2.41x (FY22:3.36x) respectively during FY23. CARE expects VPRPL's financial risk profile to improve on account of proposed IPO, which is to be utilized for working capital requirements, increase its asset base and meet general corporate purpose.

**Extensive experience with long-standing association of the promoters with government clients**

Mr. Vishnu Prakash Punglia, one of the key promoters, has an extensive experience of around four decades in the construction industry and is instrumental in making strategic decisions for VPRPL. He is supported by second generation of the family and a team of managerial personnel and technical team having relevant experience in their respective fields. VPRPL has an established track record of operations in execution of water resource projects awarded by various government authorities. VPRPL is also getting benefitted from the experience and relationship developed by its promoters as evidenced by its position in the highly competitive industry.

**Key weaknesses****Execution risk associated with projects at nascent stage of execution**

The company remains exposed to execution risk, as around 53% of the orderbook pertains to the projects at nascent stage of execution (billing of less than 20%). Further, around 22% of projects are running behind scheduled timelines owing to delay in availability of land and drawings & designs approval by the counterparty. However, the company has applied for extension of time in these projects due to reason mentioned above. Therefore, timely execution of the orderbook including nascent stage projects as well as slow moving projects within envisaged timelines shall remain crucial from credit perspective.

**Geographical and segmental concentration of operations**

VPRPL's operations remains geographically concentrated in one state with Rajasthan constituting ~74% of the unexecuted orderbook position as on March 31, 2023, followed by Manipur (11%), Uttarakhand (6%), Uttar Pradesh (4%), Assam (3%) and balance in other states.

The orderbook also remains segmentally concentrated towards water supply projects which constitutes around 74% of its orderbook position as on March 31, 2023, followed by Railways (11%), roads (10%) and other sectors. Nevertheless, focus of GoI on water-related infrastructure through Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Jal Jeevan Mission, Har Ghar Jal and Namami Gange Mission has resulted in better fund allocation and faster execution of the projects. However, gradually the company plans to diversify its presence in railways as well as road infrastructure sector.

**Presence in an intensely competitive and fragmented construction industry**

VPRPL is a mid-sized player operating in intensely competitive and fragmented construction industry, wherein the projects are awarded based on relevant experience of the bidder, financial capability and most attractive bid price. The competitive intensity is on account of the presence of large number of contractors resulting in aggressive bidding, which restricts the margins. Moreover, due to low counterparty credit risk and a relatively stable payment track record associated with projects funded by central and state government bodies, these projects are lucrative for all the contractors and hence remained highly competitive.

**Susceptibility of profitability to fluctuations in input prices**

The execution period of contracts awarded to VPRPL usually ranges from 12 - 30 months. Thus, its profitability remains susceptible to fluctuations in prices of inputs such as steel, cement, sand, etc. Nevertheless, VPRPL's majority of the orderbook has in-built price escalation clause, which mitigates the risk arising out of adverse movement in input prices to a large extent.

**Liquidity: Adequate**

Liquidity of the company remains adequate characterised by healthy Gross cash accruals vis-à-vis its debt repayment obligations, free cash and bank balance of Rs.26.78 crore as on March 31, 2023, and its modest capex requirements.

With significant increase in scale of operations, the working capital-intensity of the company has increased marked by almost full utilisation of working capital limits, negative cash flow from operations despite receipt of pre-IPO proceeds of Rs.64.50 crore in

FY23. This is primarily owing to blockage of funds in retention money, security deposits, margin money for bank guarantees, and higher initial investments required towards projects which are at nascent stage of execution. The average utilisation of fund-based limits remained high at 93% for the trailing 12 months ended March 31, 2023. Further, the non-fund-based limits remained fully utilised as on March 31, 2023, which may impact VPRPL's ability to bid for new orders.

However, VPRPL's overall liquidity is envisaged to improve on account of proposed IPO and sanction of additional working capital limits of Rs.150 crore (Rs. 50 crore in fund-based limits and Rs.100 crore in non-fund based limits), which shall be available for use to the company by May, 2023.

### 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 and industry

#### Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

VPRPL was initially formed in 1984 as a partnership concern by Mr. Vishnu Prakash Punglia along with his family members. Subsequently in 2013, the constitution was changed to public limited. VPRPL is primarily engaged in execution of civil construction works involving construction of bridges, Road over bridge (ROB), roads with major focus on execution of Water Supply Projects (WSP) on engineering, procurement and commissioning (EPC) basis as well as providing operation and maintenance (O&M) services. The company is registered as 'AA' class contractor with Public Health Engineering Department (PHED), Rajasthan and has long association with various government entities, including urban local bodies.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (Prov.)
Total operating income	447.44	763.98	1101.00
PBILDT	46.44	83.52	150.17
PAT	21.55	45.93	91.29
Overall gearing (times)	0.68	0.92	0.69
Interest coverage (times)	2.77	3.66	6.20

A: Audited Prov: Provisional; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** None

**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:** Annexure-4

**Lender details:** Annexure-5

**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 - LT-Bank Overdraft		-	-	-	150.00	CARE BBB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	360.00	CARE BBB+; Stable / CARE A3+

**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 2023-2024	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
1	Fund-based - LT-Bank Overdraft	LT	150.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (04-Aug-22)	1)CARE BBB; Stable (08-Nov-21)	1)CARE BBB-; Stable (06-Jan-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST *	360.00	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB+; Stable / CARE A3+ (04-Aug-22)	1)CARE BBB; Stable / CARE A3 (08-Nov-21)	1)CARE BBB-; Stable / CARE A3 (06-Jan-21)

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

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

**Note on the 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.

## Contact us

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