G R Infraprojects Limited

July 20, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	600.00 (Enhanced from 450.00)	CARE AA+; Stable	Reaffirmed
Long-term/short-term bank facilities	4,550.00 (Enhanced from 4,500.00)	CARE AA+; Stable/CARE A1+	Reaffirmed
Short-term bank facilities	200.00 (Reduced from 400.00)	CARE A1+	Reaffirmed
Non-convertible debentures	150.00	CARE AA+; Stable	Reaffirmed
Non-convertible debentures	99.00	CARE AA+; Stable	Reaffirmed
Non-convertible debentures	40.00	CARE AA+; Stable	Reaffirmed
Commercial paper (carved out) *	100.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

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 consideration the increase in the pool of operational assets combined with expected upliftment in its financial flexibility post transfer of its seven operational assets into Bharat Highways InvIT in FY24. The benefits are also likely to accrue by virtue of receipt of around ₹2,000 crore equivalent underlying infrastructure investment trust (InVIT) units, while the unlocking of capital via the InvIT platform will aid GRIL in funding its future growth capex. Alternatively, in case if the InvIT does not fructify, GRIL also has the flexibility to upstream surplus cash of the operational special purpose vehicles (SPVs) or explore the monetisation of the operational hybrid annuity model (HAM) assets. The ratings also factor in the healthy order inflow during the last six months ended May 31, 2023, in diverse segments, augmenting GRIL's revenue visibility.

The ratings continue to factor in the robust operational performance of the company, led by a healthy capital structure, low leverage, strong liquidity position, and a healthy compounded annual growth rate (CAGR) of 13% in its total operating income (TOI) for the last five years ended March 31, 2023. While the TOI is expected to remain at similar levels of FY23, CARE Ratings Limited (CARE Ratings) expects it to rise at a healthy rate of 12-15% in FY25, largely attributed to the receipt of the appointed date for its HAM projects secured in FY23. The profit before interest lease depreciation and taxes (PBILDT) margin, although moderated due to a surge in commodity prices and intense competition in the roads sector, is expected to remain comfortable at around 15-16% in the medium term. The ratings are ably supported by GRIL's ownership of a sizeable equipment fleet with low reliance on sub-contracting as well as its established track record in execution capability and experienced management.

The above rating strengths, however, continue to be tempered by GRIL's working capital-intensive operations, the exposure to build-operate-transfer (BOT) projects and the limited segmental revenue diversification, exposing it to intense competition within the road sector. Nevertheless, CARE Ratings notes GRIL's recent foray into power transmission, ropeways projects, multi-modal logistics park and the civil work of hydro power projects in order to reduce its dependence on the road sector in the long term.

CARE Ratings, vide a credit update dated June 22, 2022 (Click here for the link), has also taken cognisance of the matter with respect to certain allegations made against the company and its three employees by the Central Bureau of Investigation (CBI) in their FIR dated June 12, 2022, relating to corruption charges and bribing of a few officials of the National Highways Authority of India (NHAI). As on June 28, 2023, the matter is sub judice and the employees have been granted bail. CARE Ratings will monitor the developments wrt the case and its impact on credit risk profile of GRIL.

Furthermore, in a recent development, CARE Ratings also takes note of the ongoing investigation in the incident of a bridge settlement in one of GRIL's under construction HAM project housed under SPV GR Galgalia Bahadurganj Highway Private Limited (GGBHPL; rated 'CARE A; Stable') in Bihar, wherein, as per preliminary reports, the incident occurred due to excessive water flow

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

in the river underneath while no human casualties were reported. CARE Ratings' team has interacted with the project stakeholders in this regard and will continue to closely monitor the developments.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in the scale of operations on a sustained basis with substantial segmental diversification in the revenue stream while maintaining low leverage.

Negative factors

- Higher-than-envisaged increase in the debt levels, leading to a deterioration in the total debt (TD)/PBILDT to more than 1.25x on a sustained basis.
- Aggressive addition of build-operate-transfer (BOT) projects, resulting in high exposure of its investments and advances against the net worth on a sustained basis.
- Significant delays in project execution as well as a stark reduction in the PBILDT margins below 12%.

Analytical approach

To arrive at the ratings, CARE Ratings has considered the standalone financials of GRIL, its pending equity commitments in its under-construction SPVs, and support, if any, required during construction and operational phase.

Outlook: Stable

The outlook is expected to remain steady supported by strong financial flexibility from a pool of operational HAM assets, healthy revenue visibility backed by robust outstanding order book position, and a strong liquidity position.

Detailed description of the key rating drivers

Key strengths

Increase in the pool of operational HAM assets and envisaged increase in financial flexibility post slated transfer of these assets into the InvIT

GRIL has a portfolio of 10 operational assets, including one NHAI annuity project, one state HAM project, and the balance eight NHAI HAM projects. Nine of the above 10 projects (one project has received the provisional commercial operations date (PCOD) during February 2023 and annuity is due during August 2023) have established track record of the timely receipt of annuities from the respective authorities. As indicated by the management, GRIL is in advanced stages to transfer seven of these operational assets to the InvIT. GRIL will receive listed InvIT units against the transfer of 100% stake in these assets, which will further enhance its financial flexibility. As indicated by the management, the InvIT will have a lock-in period of one year from the date of the allotment. GRIL will also enter into a right of first offer (ROFO) agreement with the InvIT, pursuant to which, GRIL will grant a ROFO to thus InvIT, thus allowing the company to unlock its equity. Additionally, dividend income is also expected from the InvIT. The unlocking of the capital via the InvIT platform is also expected to aid GRIL in the funding of future equity commitments. Alternatively, in case if the InvIT does not fructify, GRIL also has the flexibility to upstream surplus cash of the operational SPVs or explore the monetisation of the operational HAM assets.

Healthy outstanding order book position of the company

GRIL had a healthy outstanding order book position of ₹19,529 crore as on March 31, 2023, as against ₹14,073 crore as on December 31, 2022, indicating revenue visibility of 2.40x of the FY23 TOI. Besides, GRIL has an L1 order of ₹7,987 crore. Including L1 orders, the order book to sales ratio stood comfortable at 3.38x. The majority of these orders are with a price variation clause, thereby shielding GRIL's profitability from adverse movements in the prices to an extent. The order book is also geographically diversified with a presence in more than 11 states, with no state contributing to more than 25% of the order book. Furthermore, GRIL has segmentally diversified its portfolio by venturing into new segments of ropeway, multi-modal logistics park, hydro power project, which is expected to reduce its dependence on the road sector. Going forward, the contract receipt is expected to witness healthy growth in the medium term with steady project execution.

Expected growth in the scale of operations from Q4FY24 with stable profitability

GRIL's scale of operations have shown a healthy growth over the last five years, despite COVID-19 related disruptions. The TOI grew at a healthy CAGR of 13% over the last five years ended FY23 from ₹4,952 crore during FY19 to ₹8,149 crore during FY23, led by strong execution capabilities. During FY23, the TOI remained stagnant over FY22 due to a low order intake and the pending receipt of the appointed date of eight HAM projects. The TOI is expected to remain almost stagnant in FY24; however, it is expected to grow again at a healthy rate of 15-18% in FY25 with the receipt of the appointed date in HAM projects worth ₹6,527 crore secured in FY23. The PBILDT margin, although moderated due to a surge in commodity prices and intense competition in the roads sector, is expected to remain comfortable at around 15-16% in the medium term. However, the TOI will grow in the medium term due to the enhanced order book post March 2023. The surge in commodity prices and intense competition in the road sector led to minor moderations in the margins of GRIL, in line with other industry players, during the last five years ended March 31, 2023. Nevertheless, the margins continued to remain healthy at 16.12% for FY23.

Low leverage and comfortable capital structure

The healthy profitability with a rangebound debt led to a low leverage, with the TD (including mobilisation advances)/PBILDT at 1.05x during FY23. The total outside liabilities (TOL) to total net worth (TNW) too remained comfortable at 0.48x as on March 31, 2023. Also, the company reported a healthy interest coverage of 12.85x during FY23. Furthermore, GRIL has financial flexibility in the form of large undrawn term debt at the SPV level.

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 soundtrack 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 the required flexibility in the execution of its projects. The fixed assets turnover ratio of GRIL also continued to remain healthy over the last four years. In addition, GRIL's operations are backwardly integrated with an emulsion manufacturing unit, a fabrication and galvanising unit and a pole manufacturing unit, which has translated into better profitability.

Experienced management

GRIL's operations are managed under the leadership of Vinod Kumar Agrawal, Chairman of GRIL, who possesses 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 among the family members.

The promoter stake is 79.74% in GRIL as on March 31, 2023. The board of directors comprise eight members with the presence of five independent directors. GRIL has recruited experienced professionals for taking the day-to-day decisions and aiding the promoters in strategic decision-making. However, the overall management is family centric.

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

Over the period of FY15-FY23, the cumulative investments in the roads sector amounted to ₹23.53 lakh crore. The GoI's commitment to implementing successive reforms, the focus on executing the ambitious Bharatmala Phase-I project under the National Infrastructure Pipeline (NIP), and the growth in state capital expenditure have all contributed to creating a favourable investment climate. The introduction of HAM, toll-operate-transfer (TOT), and FasTag, along with the harmonious substitution of sponsors, stands out as major successful reforms implemented by the GoI. However, the road sector faces several prominent hurdles that impede its progress. These challenges include the increased cost of land acquisition, heightened competition leading to funding challenges, particularly for moderate sponsors, limited contractors' bandwidth, and a relatively moderate pace of monetisation by the NHAI (rated 'CARE AAA; Stable'). Nevertheless, the sector presents significant monetisation potential through an increased portfolio of operational HAM assets as well as the NHAI's engineering procurement and construction (EPC) projects. CARE Ratings expects the capital outlay for roads to grow from ₹4.10 lakh crore in FY23 ₹5.85 lakh crore in FY25, implying a healthy CAGR of 19%.

Key rating weaknesses

Exposure to BOT projects

GRIL's exposure to subsidiaries in the form of investments and loans advances has increased to ₹1,949 crore as on March 31, 2023, as against ₹1,320 crore as on March 31, 2022, owing to equity commitments in its ongoing HAM projects., However, the same continued to remain moderate at 37% of the net worth as on March 31, 2023. GRIL will be required to invest around ₹2,565 crore for its ongoing 25 (including L1 projects) HAM projects (ropeway and road) and transmission projects over FY24-FY26. Going forward, the monetisation of the existing HAM assets through the InvIT will aid in funding its future equity commitments, apart from healthy annual cash accruals generation of ₹1,200-1,400 crore.

Limited segmental revenue diversification, albeit expected to improve going forward

Historically, GRIL has been engaged in road construction in various parts of the country with a 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 a project pertaining to the 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 during FY22, and during FY23, has also diversified into multi-modal logistics park projects, ropeway development projects and hydro power. Going forward, GRIL's ability to significantly scale up operations while executing projects in multiple segments while maintaining profitability will be crucial.

Liquidity: Strong

The operations of GRIL are working capital-intensive. The gross current asset days and the operating cycle of the company increased to 181 days and 88 days, respectively, during FY23, largely on account of an increase in debtors mainly from under construction SPVs owing to the deferral of term debt disbursement at the SPV level. GRIL had free cash and cash equivalents of ₹107 crore as on March 31, 2023. The average utilisation of the fund-based working capital limits remained moderately low at 7% for the trailing 12 months ended April 30, 2023. Going forward, the listed InvIT units will further enhance the liquidity of the company.

Assumption/Covenants: Not applicable

Environment, social, and governance (ESG) risks

Environmental	GRIL has increased its reliance on renewable energy source
Social	GRIL has expended ₹20.50 crore in CSR during FY23
Governance	50% of GRIL's board comprises of independent directors. The company reportedly has a defined code of conduct, whistleblower policy, ESG commitment policy, code of internal procedures and conduct for insider trading.

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
Factoring Linkages of Parent and Sub JV group
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

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

Incorporated in 1995, GRIL is engaged in road construction in various states across the country with a large part of its present order book being from the NHAI and the Ministry of Road Transport and Highways (MoRTH). In addition to construction of roads on an EPC basis, GRIL also undertakes the construction of road projects on a 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 an in-house fabrication and galvanising unit (24,000 MT) as well as a pole manufacturing unit. The company has a repair and maintenance workshop at Udaipur. On a consolidated basis, GRIL reported a TOI of ₹9,549 crore and a profit-after-tax (PAT) of ₹1,454 crore during FY23.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	7,250.29	7,920.34	8,149.24
PBILDT	1,319.98	1,282.22	1,313.98
PAT	780.61	760.82	851.20
Overall gearing (times)	0.46	0.28	0.26
Interest coverage (times)	9.44	10.11	12.85

A: Audited; Note: The above results are latest financial results 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 the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Commercial Paper-Commercial Paper (Carved out)		Not Placed	Not placed	Not placed	100.00	CARE A1+
Debentures-Non Convertible Debentures	INE201P08191	30-08-2022	8.00	30-08-2029	40.00	CARE AA+; Stable
Fund-based - ST-Working Capital Demand loan		-	-	-	200.00	CARE A1+
Fund-based-Long Term		-	-	-	600.00	CARE AA+; Stable
NCD	INE201P08183	03-Jun-2022	6.95	03-Jun-2025	99.00	CARE AA+; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	4550.00	CARE AA+; Stable / CARE A1+
Rated, listed, unsecured, redeemable non-convertible debentures	INE201P08159	07-Oct-2021	6.20	27-Mar-2024	75.00	CARE AA+; Stable
Rated, listed, unsecured, redeemable non-convertible debentures	INE201P08167	07-Oct-2021	6.70	27-Dec-2024	75.00	CARE AA+; Stable

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-Long Term	LT	600.00	CARE AA+; Stable	1)CARE AA+; Stable (29-Jun-23)	1)CARE AA; Stable (04-Oct-22) 2)CARE AA; Stable (06-Sep-22) 3)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)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	4550.00	CARE AA+; Stable / CARE A1+	1)CARE AA+; Stable / CARE A1+ (29-Jun-23)	1)CARE AA; Stable / CARE A1+ (04-Oct-22) 2)CARE AA; Stable / CARE A1+ (06-Sep-22) 3)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)
3	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (06-Aug-20)
4	Commercial Paper-Commercial Paper (Carved out)	ST	100.00	CARE A1+	1)CARE A1+ (29-Jun-23)	1)CARE A1+ (04-Oct-22) 2)CARE A1+ (06-Sep-22) 3)CARE A1+ (18-Aug-22)	1)CARE A1+ (16-Dec-21)	1)CARE A1+ (18-Nov-20)
5	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)

6	Fund-based - ST-Working Capital Demand loan	ST	200.00	CARE A1+	1)CARE A1+ (29-Jun-23)	1)CARE A1+ (04-Oct-22) 2)CARE A1+ (06-Sep-22) 3)CARE A1+ (18-Aug-22)	1)CARE A1+ (16-Dec-21) 2)CARE A1+ (07-Jul-21)	1)CARE A1+ (18-Jan-21)
7	Debentures-Non Convertible Debentures	LT	150.00	CARE AA+; Stable	1)CARE AA+; Stable (29-Jun-23)	1)CARE AA; Stable (04-Oct-22) 2)CARE AA; Stable (06-Sep-22) 3)CARE AA; Stable (18-Aug-22)	1)CARE AA; Stable (16-Dec-21) 2)CARE AA; Stable (04-Oct-21)	-
8	Debentures-Non Convertible Debentures	LT	99.00	CARE AA+; Stable	1)CARE AA+; Stable (29-Jun-23)	1)CARE AA; Stable (04-Oct-22) 2)CARE AA; Stable (06-Sep-22) 3)CARE AA; Stable (18-Aug-22)	1)CARE AA; Stable (11-Jan-22)	-
9	Debentures-Non Convertible Debentures	LT	40.00	CARE AA+; Stable	1)CARE AA+; Stable (29-Jun-23)	1)CARE AA; Stable (04-Oct-22) 2)CARE AA; Stable (06-Sep-22) 3)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 the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Carved out)	Simple
2	Debentures-Non Convertible Debentures	Complex
3	Fund-based - ST-Working Capital Demand loan	Simple
4	Fund-based-Long Term	Simple
5	Non-fund-based - LT/ ST-BG/LC	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 for any clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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