

Vikran Engineering & Exim Private Limited

April 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	84.00	CARE BB+; ISSUER NOT COOPERATING*	Revised from CARE BBB-; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	215.75	CARE BB+ / CARE A4+; ISSUER NOT COOPERATING*	Revised from CARE BBB-; Stable / CARE A3 and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	22.50	CARE A4+; ISSUER NOT COOPERATING*	Revised from CARE A3 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE) has been seeking information from Vikran Engineering & Exim Private Limited (VEEPL) to monitor the rating(s) vide e-mail communications dated December 18, 2023, January 25, 2024, March 05, 2024, 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. The rating on VEEPL's bank facilities will now be denoted as **CARE BB+ / CARE A4+; 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 have been revised on account of non-availability of information.

Analytical approach: Standalone

Outlook: Not Applicable

Detailed description of the key rating drivers:

At the time of last rating action on March 03, 2023, the following were the rating strengths and weaknesses. (Updated for audited financials for FY23 (refers to the period April 1 to March 31)).

Key weaknesses

Stretched working capital

Though there has been improvement in operating income, stretched operating cycle is reflected from deterioration in collection days from 238 days in FY22 to 302 days in FY23, by elongating the creditor payments from 144 days in FY22 to 204 days in FY23. Furthermore, the Gross Current Asset days have also significantly elevated to 432 days in FY23 from 361 days in FY22, primarily due to increase in receivables from Rs 373 crore as on March 31, 2022, to Rs 503 crore as on March 31, 2023 due to increase in scale of operations.

Inherent challenges associated with the construction industry

The disproportionate hike in the commodity prices as compared to inflation indexation, aggressive bidding, delay in project progress due to the unavailability of regulatory clearances may affect the credit profile of the contractors and exert pressure on the margins of the entities in the industry.

Key strengths

Improved orderbook with majority of the orders in nascent stage of operations

The rating derives strength from improvement in order book from Rs 1432 crore as on September 30, 2021 to Rs 2497 crore as on December 31, 2022, which translates to 5.33x times the total operating income of FY22 (P.Y: 4.24x), however moderated by

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

*Issuer did not cooperate; Based on best available information

62% of outstanding the order book are in the nascent stages of operations, where the progress is less than 2% coupled with company's foray into new sector especially in water supply projects from Uttar Pradesh, wherein the design approvals from multiple authorities is critical from execution perspective. Furthermore, the 34% of the ongoing orderbook have exceeded the scheduled completion date having major exposure to Andhra Pradesh Central Power Distribution Corporation Limited (APPDCL), though 71% of the orders are covered with escalation in the contracts. This apart, the top 4 orders contribute 74% of the order book, which exposes the company to inherent challenges in scaling up of operations.

Geographical and Sector Diversification

Over the years, VEEPL has successfully expanded its business and diversified its operations to several states. The company has work orders more than 8 states spread across India with Uttar Pradesh contributing 41% followed by Andhra Pradesh at 23%, Madhya Pradesh at 12% and balance with other states. This apart, the Company has diversified into water works which is expected to provide better operating profit margins are having o/s orders of Rs 1236 crore (49%) (P.Y: 0%) in and balance 51% (P.Y: 100%) are from Transmission & Electrical works as on December 31, 2022.

Rich experience of promoters in Transmission & Distribution Industry (Power Sector)

VEEPL is promoted by Mr Rakesh Markhedkar, who has over three decades of experience in the power transmission and distribution segment and has handled various assignments in leadership positions across various reputed companies. He has also been bestowed with many prestigious awards in the power sector. He is assisted by his family members and a team of qualified professionals in handling the day-to-day operations of the company.

Stable long-term demand outlook for power T&D and water industry

Looking at the government's continued focus towards connecting every rural household for ensuring un-interrupted power and water supply through various schemes such as Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya), Jal Jeevan Mission, the transmission & distribution industry as well as the water industry is expecting many new projects, necessitating erection of thousands of kilometres of new transmission and distribution lines and construction of hundreds of new substations. The EPC players in this segment are envisaged to benefit from such rise in demand for new infrastructure.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

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

VEEPL, erstwhile Ratnagiri Financial Advisory Pvt. Ltd., was incorporated in 2008. Mr. Rakesh Markhedkar and his family acquired the company in November 2014 and rechristened it as VEEPL. The company is presently engaged in execution of power transmission lines, substations and distribution projects up to 400 kV voltage level on EPC basis. Recently, the company has diversified into water infra segment focusing on distribution system, village pipe network, intake well, water treatment plant as well as into railway segment offering civil works, track laying, overhead electrification and signalling and telecommunication.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	475.63	526.21
PBILDT	33.72	81.92
PAT	10.33	43.05
Overall gearing (times)	1.20	0.97
Interest coverage (times)	1.99	3.16

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 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	84.00	CARE BB+; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	215.75	CARE BB+ / CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	22.50	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	215.75	CARE BB+ / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable / CARE A3 (03-Mar-23)	1)CARE BBB; Negative / CARE A3 (03-Jan-22)	1)CARE BBB; Stable / CARE A3 (30-Dec-20)
2	Fund-based - LT-Cash Credit	LT	84.00	CARE BB+; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (03-Mar-23)	1)CARE BBB; Negative (03-Jan-22)	1)CARE BBB; Stable (30-Dec-20)
3	Non-fund-based - ST-Letter of credit	ST	22.50	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3 (03-Mar-23)	1)CARE A3 (03-Jan-22)	1)CARE A3 (30-Dec-20)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: 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-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Letter of credit	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:

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