GPT Infraprojects Limited

September 8, 2017

Ratings

Facilities@	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	532.70 (enhanced from Rs.422.50 crore)	**CARE BBB; Stable (Triple B; Outlook: Stable)**	**Reaffirmed**
Total	**532.70 (Rs. Five Hundred and Thirty Two Crore and Seventy Lakh)**		

@ *Details of facilities in Annexure-1*

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of GPT Infraprojects Ltd continues to derive comfort from experienced promoters, reputed client portfolio, strong order book position and stable financial performance in FY17 (refers to the period April 1 to March 31). The rating continues to be constrained by profitability susceptible to volatility in input prices, working capital intensive nature of operations and moderate financial risk profile. The ability of the company to get steady flow of orders along with their timely execution and efficient management of working capital remains the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters: The promoters are engaged in execution of civil construction work for more than one decade and manufacturing of concrete sleepers for more than three decades. The day-to-day affairs of the company are looked after by Mr. Shree Gopal Tantia (MD) and Mr. Atul Tantia (Executive 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 remained strong with outstanding orders of Rs.1917.18 crore as on March 31, 2017 (representing 3.68x of total operating income in FY17).

Reputed client portfolio: GPTIL's order book consist of orders mostly for Infrastructure division from reputed public sectors entities. The company is also getting repeat orders from its clients indicating satisfactory project execution capabilities. The company also has a substantial order for sleeper division from an established private player for dedicated Eastern Freight Corridor project.

Stable financial performance in FY17: GPTIL's total operating income grew by 1.96% y-o-y to Rs.512.64 crore in FY17. PBILDT margin was relatively stable at 13.28% in FY17. Stable PBILDT coupled with marginal decline in interest cost resulted in slight improvement in interest coverage ratio from 1.76x in FY16 to 1.80x in FY17. The gross cash accrual of the company improved from Rs.33.84 crore in FY16 to Rs.35.78 crore in FY17. Operating cycle also slightly improved from 183 days in FY16 to 176 days in FY17.

Key Rating Weaknesses

Moderate financial risk profile: GPTIL's overall gearing improved from 2.52x as on Mar 31, 2016 to 2.43x as on Mar 31, 2017 mainly due to accretion of profits to reserve. Long overdue debtors amounting Rs.77.87 crore has been deducted from the reported net worth and debtors for the purpose of computing gearing ratio and working capital cycle. Total debt/GCA slightly improved from 8.30x as on Mar 31, 2016 to 7.32x as on Mar 31, 2017 mainly due to higher GCA in FY17.

Working capital intensive nature of the business : GPTIL's business is working capital intensive on account of high collection period due to disbursement of payment by the client 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 wide range of inventory for timely execution of projects.

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, which mitigates the risk of volatility in input prices to a certain extent.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

Analytical approach: The rating is based on standalone financials.

Applicable Criteria
[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[Rating Methodology - Factoring Linkages in Ratings]
[Financial ratios – Non-Financial Sector]

About the Company
GPT Infraprojects Limited (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 21,40,000 units of concrete sleepers. In FY17, Infrastructure Division accounted for about 86% of total revenue (82% in FY16), whereas Sleeper Division's share was 14% (18% in FY16).

Brief Financials - Consolidated (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	502.77	512.64
PBILDT	68.03	68.06
PAT	12.82	15.95
Overall gearing (times)	2.52	2.43
Interest coverage (times)	1.76	1.80

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
Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	203.90	CARE BBB; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	328.80	CARE BBB; Stable

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	203.90	CARE BBB; Stable	-	1)CARE BBB (02-Aug-16)	1)CARE BBB- (07-Jan-16)	1)CARE BBB- (13-Jan-15)
2.	Non-fund-based - LT-Bank Guarantees	LT	328.80	CARE BBB; Stable	-	1)CARE BBB (02-Aug-16)	1)CARE BBB- (07-Jan-16)	1)CARE BBB- (13-Jan-15)

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