

**GPT Infraprojects Limited**

October 08, 2018

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	551.40 (enhanced from 532.70)	<b>CARE BBB; Stable</b> <b>(Triple B; Outlook: Stable)</b>	<b>Reaffirmed</b>
<b>Total facilities</b>	<b>551.40</b> <b>(Rs. Five hundred fifty one crore and forty lakh only)</b>		

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

The rating assigned to the bank facilities of GPT Infraprojects Ltd (GPTIL) continues to derive comfort from the long experience of promoters, strong order book position and reputed client portfolio. The rating also factors in the relatively stable operating and financial performance in FY18 (refers to the period April 1 to March 31) and Q1FY19. The rating continues to be constrained by the working capital intensive nature of operations which has led to leveraged capital structure and profitability susceptible to volatility in input prices. The ability of the company to effectively manage working capital, get steady flow of orders along with their timely execution and realisation of dues 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 continued to remain strong with the outstanding orders of Rs.2128.87 crore as on June 30, 2018 (representing 4.06x of total operating income in FY18).

**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 FY18 and Q1FY19:** GPTIL's total operating income grew by 3.5% y-o-y to ~Rs.524 crore in FY18. PBILDT margin improved to 14.39% in FY18 from 13.69% in FY17. Interest coverage ratio remained stable at 1.93x in FY18 (1.83x in FY17) as the marginal increase in interest cost was offset by the increase in PBILDT level. In Q1FY19, the company achieved PAT of Rs.5.47 crore on total income of Rs.154 crore.

**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 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 defect liability 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) was high at 181 days in FY18. The operating cycle remained at 138 days in FY18 (131 days in FY17). The working capital borrowings (including mobilisation advances) remained high to finance the long operating cycle and overall gearing stood at 1.97x as on Mar.31, 2018 vis-a-vis 1.87x as on Mar.31, 2017. Total debt/GCA remained stable at 7.68x as on Mar 31, 2018 (7.62x as on Mar 31, 2017).

**Profitability susceptible to volatility in input prices:** Steel and cement are the major inputs, the prices of which are 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.

**Analytical approach followed:** Consolidated. The rating is based on consolidated financials due to operational and financial linkage of the company with its subsidiaries and joint-ventures.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for manufacturing companies](#)

[Rating Methodology - Factoring Linkages in Ratings](#)

[Financial ratios – Non-Financial Sector](#)

### About the Company

GPTIL (erstwhile Tanta 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. Infrastructure Division accounted for about 75% of total revenue in FY18 (88% in FY17), whereas Sleeper Division's share was 25% (12% in FY17).

### Financials of GPT Infraprojects Limited (Consolidated)

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	506.06	523.79
PBILDT	69.26	75.37
PAT	18.16	20.56
Overall gearing (times)	1.87	1.97
Interest coverage (times)	1.83	1.93

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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure-1: Details of Instruments/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	-	-	-	213.90	CARE BBB; Stable
Non-fund-based - LT-Bank Guarantees	-	-	-	337.50	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	213.90	CARE BBB; Stable	-	1)CARE BBB; Stable (08-Sep-17)	1)CARE BBB (02-Aug-16)	1)CARE BBB (07-Jan-16)
2.	Non-fund-based - LT-Bank Guarantees	LT	337.50	CARE BBB; Stable	-	1)CARE BBB; Stable (08-Sep-17)	1)CARE BBB (02-Aug-16)	1)CARE BBB (07-Jan-16)

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