GRIL®

G R INFRAPROJECTS LIMITED
(Formerly known as G.R. Agarwal Builders and Developers Limited)
CIN : L45201GJ1995PLC098652

29th June 2023

To,

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai - 400001
Scrip Code: 543317

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C-1
G Block, Bandra-Kurla Complex, Bandra(E)
Mumbai -400051
Symbol: GRINFRA

Sub: Intimation of revision in Credit Rating under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("Listing Regulations").

Dear Sir,

Pursuant to Regulation 30 and Regulation 51 of the Listing Regulations, we hereby inform you that the Credit Rating assigned to the Company by the Credit Rating Agency i.e CARE Ratings Limited has been revised (upgraded) as under:

Facilities/Instruments	Amount (₹ crore)	New Rating	Remarks / Rating Action
Long-term bank facilities	450.00	CARE AA+; Stable	Revised from CARE AA; Stable
Long-term / Short-term bank facilities	4,500.00	CARE AA+; Stable / CARE A1+	Revised from CARE AA; Stable /CARE A1+
Short-term bank facilities	400.00	CARE A1+	Reaffirmed
Non-convertible debentures	150.00	CARE AA+; Stable	Revised from CARE AA; Stable
Non-convertible debentures	99.00 (Reduced from 100.00)	CARE AA+; Stable	Revised from CARE AA; Stable
Non-convertible debentures	40.00 (Reduced from 50.00)	CARE AA+; Stable	Revised from CARE AA; Stable
Commercial paper (Carved out)	100.00	CARE A1+	Reaffirmed

A press release in this regard by CARE Ratings Limited is enclosed herewith, the same is also available at https://www.careratings.com/upload/CompanyFiles/PR/202306120612_G_R_Infraprojects_Limited.pdf

We request the exchange to take this information on your record.

Yours sincerely,

For G R Infraprojects Limited

Sudhir Mutha

Digitally signed by Sudhir Mutha
DN: c=IN, o=Personal, postalCode=313002, l=Udaipur, st=Rajasthan, street=India- 313002- New Vidya Nagar, title=7505, 2.5.4.20=8dc9717ada7c505877f3575c1d24166aae01c6c3d4af522948d3120b0749847a, serialNumber=b29d4782e827b5571867c5351eb5e9cf75ab8673d58b6d9226bbb923a0ce41bf, email=sudhir.mutha@gmail.com, cn=Sudhir Mutha
Date: 2023.06.29 18:44:36 +05'30'

Sudhir Mutha
Company Secretary
ICSI Membership No. ACS18857

Encl: As above

Press Release
G R Infraprojects Limited
June 29, 2023

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Commercial paper (Carved out) *	100.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the rating 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 Rs.2000 crore equivalent underlying InVIT units, while unlocking of capital via InvIT platform shall aid GRIL in funding its future growth capex. Alternatively, in case if InvIT does not fructify GRIL also has flexibility to upstream surplus cash of operational special purpose vehicles (SPVs) or explore monetization of operational HAM assets. The rating revision also factors healthy order inflow during last six months in diverse segment augmenting GRIL's revenue visibility.

The ratings continue to factor in the robust operational performance of the company led by healthy capital structure, low leverage, strong liquidity position and healthy compounded annual growth rate (CAGR) of 13% in its total operating income (TOI) for the past five years ended March 31, 2023. While TOI is expected to remain at similar levels of FY23 yet, CARE Ratings Limited (CARE Ratings) expects it to rise at healthy rate of 12-15% in FY25 largely attributed to receipt of appointed date for its HAM projects secured in FY23. Profit before interest lease depreciation and taxes (PBILDT) margins though moderated due to surge in commodity prices and intense competition in the roads sector, it is expected to remain comfortable around 15-16% in the medium term. The ratings are ably supported by GRIL's ownership of sizeable equipment fleet with low reliance on sub-contracting as well as 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, exposure to build-operate-transfer (BOT) projects and 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 civil work of hydro power projects in order to reduce its dependence on 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 Central Bureau of Investigation (CBI) in their FIR dated June 12, 2022, relating to corruption charges and bribing of the officials of NHAI. As of today, the matter is sub judice and the employees have been granted bail. CARE Ratings shall monitor the developments wrt the case and its impact on credit risk profile of GRIL.

Further in a recent development, CARE Ratings also takes note of the on-going investigation in recent incident of bridge settlement in one of GRIL's under construction hybrid annuity model (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 in the river underneath while no human casualties were reported. CARE Ratings team has interacted with the project stakeholders in this regards and CARE ratings shall continue to closely monitor the developments in this regard.

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

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

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

Negative factors

- Higher than envisaged increase in debt levels leading to deterioration in total debt /PBILDT to more than 1.25 times on sustained basis
- Aggressive addition of 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 stark reduction in 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 special purpose vehicles (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 pool of operational HAM assets, healthy revenue visibility backed by robust outstanding order book position and strong liquidity position.

Detailed description of the key rating drivers:

Key strengths

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

GRIL has a portfolio of 10 operational assets including one NHAI annuity project, one State HAM project and balance eight NHAI HAM project. Nine of the above ten projects (one project has received provisional commercial operations date (PCOD) during February 2023 and annuity is due during August 2023) have established track record of 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 InvIT. GRIL shall receive listed InvIT units against the transfer of 100% stake in these assets which shall further enhance its financial flexibility. As indicated by the management, InvIT shall have a lock-in period of one year from the date of the allotment. GRIL shall also enter into right of first offer (ROFO)agreement with InvIT, pursuant to which GRIL shall grant a right of first offer to InvIT thus allowing company to unlock its equity. Additional, dividend income is also expected from InvIT. Unlocking of capital via InvIT platform is also expected to aid GRIL in funding of future equity commitments. Alternatively, in case if InvIT doesn’t fructify GRIL also has flexibility to upstream surplus cash of operational SPVs or explore monetization of 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 FY23 TOI. Besides, GRIL has L1 order of ₹7,987 crore. Including L1 orders, the order book to sales ratio stood comfortable at 3.38x. Majority of these orders are with price variation clause, thereby shielding GRIL’s profitability from adverse movement in the prices to an extent. The order book is also geographically diversified with presence in more than 11 states, with no state contributing 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 road sector. Going forward, the contract receipt is expected to witness healthy growth in the medium term with steady project execution.

Expected growth in scale of operations from Q4FY24 with stable profitability

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

Low leverage and Comfortable Capital Structure: Healthy profitability with range bound debt led to low leverage with total debt (including mobilization advances)/PBILDT at 1.05 times during FY23. The total outside liability to total net worth (TOL/TNW) also remained comfortable at 0.48x as on March 31, 2023. Also, company reported healthy interest coverage of 12.85x during FY23. Further, GRIL has financial flexibility from large undrawn term debt at 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 required flexibility in execution of its projects. The fixed assets turnover ratio of GRIL also continued to remain healthy over the past four years. In addition, GRIL's operations are backwardly integrated with emulsion manufacturing unit, fabrication and galvanising unit and pole manufacturing unit, which has translated into better profitability.

Experienced management: GRIL's operations are managed under the leadership of Vinod Kumar Agarwal, Chairman of GRIL, who possess 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 amongst the family members.
The promoter stake is 79.74% in GRIL as on March 31, 2023. The board of directors comprise eight members with presence of five independent directors. GRIL has recruited experienced professionals for taking the day-to-day decisions and aid the promoters in strategic decision-making. However, 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 investment in the roads sector amounted to Rs. 23.53 lakh crore. The Government of India'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 the Hybrid Annuity Model (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 National Highways Authority of India (NHAI; rated CARE AAA; Stable).

Key rating weaknesses
Exposure to BOT projects: GRIL's exposure to subsidiaries in the form of investment 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 on-going HAM projects., However, the same continued to remain moderate at 37% of net worth as on March 31, 2023. GRIL would be required to invest around ₹2,565 crore for its on-going 25 projects (including L1 projects) HAM projects (ropeway and road) and transmission project over FY24-FY26. Going forward, monetisation of the existing HAM assets through InvIT shall aid in funding its future equity commitments apart from healthy annual cash accruals generation of Rs.1200-1400 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 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 project pertaining to 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 shall 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 increase in debtors mainly from under construction SPVs owing to deferral of term debt disbursement at SPV level. GRIL had free cash and cash equivalent of ₹107

crore as on March 31, 2023. The average of utilisation of the fund-based working capital limits remained moderately low at 7% for the trailing 12 months ended April 2023. Going forward the listed InvIT units shall 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 Rs. 20.50crore 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 & 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 large part of its present order book being from NHAI and MoRTH. In addition to construction of roads on engineering, procurement and construction (EPC) basis, GRIL also undertakes construction of road projects on 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 in-house fabrication and galvanising unit (24,000 MT) as well as pole manufacturing unit. The company has a repair and maintenance workshop at Udaipur. On a consolidated basis, GRIL has reported total operating income of Rs.9,549 crore and profit after tax of Rs.1,454 crore during FY23.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (Abr*)
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; Abr*: Abridged; 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
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		-	-	-	400.00	CARE A1+
Fund-based-Long Term		-	-	-	450.00	CARE AA+; Stable
Debentures-Non Convertible Debentures	INE201P08183	03-Jun-2022	6.95	03-Jun-2025	99.00	CARE AA+; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	4500.00	CARE AA+; Stable / CARE A1+
Debentures-Non Convertible Debentures	INE201P08159	07-Oct-2021	6.20	27-Mar-2024	75.00	CARE AA+; Stable
Debentures-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	450.00	CARE AA+; Stable	-	1)CARE AA; Stable (04-Oct-22) 2)CARE AA; Stable	1)CARE AA; Stable (16-Dec-21)	1)CARE AA; Stable (18-Jan-21) 2)CARE AA; Stable

						(06-Sep-22) 3)CARE AA; Stable (18-Aug-22)	2)CARE AA; Stable (07-Jul-21)	(18-Nov-20)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	4500.00	CARE AA+; Stable / CARE A1+	-	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+ (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	400.00	CARE A1+	-	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 (04-Oct-22) 2)CARE AA; Stable (06-Sep-22)	1)CARE AA; Stable (16-Dec-21) 2)CARE AA; Stable	-

						3)CARE AA; Stable (18-Aug-22)	(04-Oct-21)	
8	Debentures-Non Convertible Debentures	LT	99.00	CARE AA+; Stable	-	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 (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 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.

Contact us

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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.

For the detailed Rationale Report and subscription information, please visit www.careedge.in