

Press Release

Satva Infratech Private Limited (SIPL)

19 January, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.17.00 Cr
Long Term Rating	SMERA B+/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.17.00 crore bank facilities of Satva Infratech Private Limited (SIPL). The outlook is '**Stable**'.

SIPL, incorporated in 2007 is a Hyderabad-based sub-contractor engaged in the execution of projects (roads and bridges) for National Highways Authority of India and Indian Railways. The company also started trading in structural steel in 2016. The company was promoted by Mr. P. Krishna Murthy and his son, Mr. P. M.C. Krishna.

List of key rating drivers and their detailed description

Strengths:

Experienced and qualified promoters: The promoters Mr. P. Krishna Murthy and Mr. P. M.C. Krishna collectively possess more than two decades of experience in the civil construction industry.

Comfortable financial risk profile: The company has comfortable financial risk profile with adjusted gearing of 1.01 times as on March, 31 2016. The moderate debt protection metrics with interest coverage ratio stood at 1.73 times and debt service coverage at 1.78 times for FY2016. For arriving at the gearing, the interest-free unsecured loan from promoters of Rs.4.36 crore as on March 31, 2016 has been considered as part of equity as the same is subordinated to bank debt.

Modest order book position: The company has unexecuted order book position of around Rs.101.52 crore as on 31 December, 2016. These orders are expected to be completed in the next 24 months thereby providing revenue visibility over the medium term.

Weaknesses:

Small scale of operations: SIPL operating at modest scale of operations with operating income of Rs.29.47 crore for FY2015-16 as against Rs.30.81 crore in the previous year. Further, around 81 per cent of the operating income for FY2015-16 has been from trading activity and remaining from civil construction. As informed by the management, SIPL reported operating income of Rs.35.70 crore (provisional) from April, 2016 to October, 2016 which consisted of only trading income.

Stretched liquidity position: The gross current asset (GCA) days stood at 465 for FY2015-16 mainly on account of stretched inventory and receivables position. Further, the cash credit limit was fully stretched during the last six months ended 31 October, 2016.

Geographic and customer concentration risk: The operations are exposed to high geographic and customer concentration risk since it largely caters to Southern Railways.

Intense competition from several players in the civil construction industry: SIPL is exposed to intense competition from organised and unorganised players in the civil construction industry.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the firm.

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities: <https://www.smera.in/criteria-infra.htm>

Outlook: Stable

SMERA believes that the outlook on SIPL's rated facilities will remain stable over the medium term on account of its promoter's extensive experience in the civil construction industry. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals. Any stretch in working capital cycle resulting in deterioration of its financial risk profile may also entail a 'Negative' outlook.

About the Company

SIPL, incorporated in 2007 is a Hyderabad-based sub-contractor engaged in the execution of projects (roads and bridges) for National Highway Authority of India and Indian Railways. The company was promoted by Mr. P. Krishna Murthy and his son Mr. P. M.C. Krishna.

For FY2015-16, SIPL reported profit after tax (PAT) of Rs.0.44 crore on operating income of Rs.29.47 crore as against PAT of Rs.1.03 crore on operating income of Rs.30.81 in the previous year. The net worth stood at Rs.6.17crore as on March 31, 2016 as against Rs.5.73 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable): ICRA, vide release dated July 12, 2016 has suspended the ratings of SIPL on account of lack of adequate information required for monitoring of ratings.

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	7.50	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	9.50	SMERA A4 (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A.	7.50	SMERA B+/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A.	9.50	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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