

Press Release

Shri Satya Saibaba Constructions

June 27, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 60.50 Cr.
Long Term Rating	ACUITE BBB+ / Outlook: Stable
Short Term Rating	ACUITE A2

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB+**' (**read as ACUITE BBB plus**) and short term rating of '**ACUITE A2**' (**read as ACUITE A two**) on the Rs. 60.50 crore bank facilities of Shri Satya Saibaba Constructions. The outlook is '**Stable**'.

The Latur-based, SSSC, a partnership firm was incorporated in 2000 by Mr. Dilip Raosaheb Mane, Mrs. Savita Dilip Mane, Mr. Dinesh Dilip Mane and Mr. Ritesh Dilip Mane. The firm is engaged in civil construction and undertakes construction of roads, flyovers among others. The firm caters to Central Railway, L&T Realty Limited among others.

Key Rating Drivers

Strengths

- **Established track record of operations, experienced Promoters**

The partners of the firm have experience of more than a decade in civil construction industry, resulting in establishing healthy relationship with customers and suppliers.

- **Strong order book position**

SSSC's order book position is healthy and improving year on year basis. Its current orders in hand worth Rs. 587.00 crore in FY 18-19 as against Rs. 470.31 crores in FY 17-18.

- **Strong financial risk profile**

SSSC's financial risk profile is strong marked by improvement in networth to Rs. 50.36 crore as on 31 March 2018(prov.) from Rs.48.47 crore as on 31 March, 2017. The gearing (debt to equity) declined to 0.59 times as on 31 March 2018 from 0.28 times for 31 March 2017 due to debt funded capex. Total long term debt includes commercial equipment loans which has an outstanding balance of Rs.20.90 crore as on 31 March 2018 (prov.). ICR stood at 7.29 times for FY2018 (prov.) as compared to 10.63 times for FY2017. The average cash credit utilization stood at ~50 per cent for the last 3 months ending on may 2018. DSCR declined to 5.50 times for FY2018 (prov.) from 8.59 times in FY2017.

Acuité believes the financial risk profile of the firm will remain healthy in absence of any major debt funded capex and healthy net cash accruals.

- **Improvement in operating margins**

SSSC's operating margins have improved marginally in FY 2018 mainly on account of managing its raw material cost as a percentage of sales. EBIDTA margins improved to 19.91 percent in FY2018 (prov.) as compared to 19.14 percent in FY2017. PAT margins declined to 7.29 percent in FY2018 (prov.) as compared to 11.13 percent in FY2017 due to higher depreciation on new plant and machinery.

- **Comfortable working capital operations**

SSSC's working capital operations are comfortable with Gross Current Assets (GCAs) of 72 days mainly on account of lower inventory days of 50 and debtor days of 6. Further EMD and tender deposits stood at Rs.31.75 crores as on 31 March, 2018. The firm also has investment in joint ventures with Sharda Construction and Corporation Private Limited, etc

Weaknesses

- **Competitive and fragmented industry**

SSSBC engages in tender based civil construction work for central railway such as earth work in embankment and bridge approaches. SSSBC's also undertakes civil construction project work for Maharashtra state government such construction of flyovers, bypass roads, major bridges among others. This industry is marked by presence of many small and large players. As informed by the management, firm has booked revenues of Rs.27.00 crore from April to May 2018

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Shri Satya Saibaba Constructions to arrive at the rating.

Outlook: Stable

Acuité believes SSSBC's outlook will remain stable and the firm will benefit over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm is able to register improvement in profit margins and maintain healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case the firm faces stretched working capital cycle or fall in revenue.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	90.06	70.48	51.73
EBITDA	Rs. Cr.	17.93	13.49	7.20
PAT	Rs. Cr.	6.93	7.84	4.22
EBITDA Margin	(%)	19.91	19.14	13.91
PAT Margin	(%)	7.70	11.13	8.16
ROCE	(%)	21.12	22.21	16.21
Total Debt/Tangible Net Worth	Times	0.59	0.28	0.23
PBDIT/Interest	Times	7.29	10.63	11.67
Total Debt/PBDIT	Times	1.41	0.88	1.05
Gross Current Assets (Days)	Days	72	38	69

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-Mar-2018	Cash Credit	Long Term	INR 10	ACUITE BBB+ / Stable (upgraded)
	Cash Credit	Long Term	INR 3	ACUITE BBB+ / Stable (upgraded)
	Term Loan	Long Term	INR 3	ACUITE BBB+ / Stable (Assigned)
	Bank Guarantee	Short Term	INR 16.5	ACUITE A2 (upgraded)
	Bank Guarantee	Short Term	INR 16	ACUITE A2 (upgraded)
	Letter of Credit	Short Term	INR 5.07	ACUITE A2 (Assigned)
	Proposed Short Term Loan	Short Term	INR 6.93	ACUITE A2 (Assigned)
02-Mar-2017	Cash Credit	Long Term	INR 10	ACUITE BBB- / Stable (Assigned)
	Proposed Cash Credit	Long Term	INR 2	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	INR 15	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	INR 10	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB+ / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE A2 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A2 (Reaffirmed)
Proposed bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A2 (Reaffirmed)

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About Acuité Ratings & Research:

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