

Press Release

Shri Satya Saibaba Constructions

August 13, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB+**' (**read as ACUITE triple B plus**) and the short-term rating of '**ACUITE A2**' (**read as ACUITE A two**) on the Rs. 60.50 crore bank facilities of SHRI SATYA SAIBABA CONSTRUCTIONS (SSSC). The outlook is '**Stable**'.

Established in 2000, SSSC is a Latur-based partnership firm promoted by Dilip Raosaheb Mane, Mrs. Savita Dilip Mane, Mr. Dinesh Mane and Mr. Ritesh Dilip Mane. The firm is engaged in civil construction and undertakes civil construction of roads, bridges and flyovers among others. The firm caters to Central Railways, State Government and Public Works Department.

Analytical Approach

Acuité has considered the standalone business and financial profiles of SSSC to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

SSSC has been executing civil construction contracts in Maharashtra for nearly two decades. The firm is promoted by Mr. Dilip Raosaheb Mane, who holds more than two decades of experience in civil construction industry. The company is engaged in providing different types of civil construction in segments such as bridge constructions, road, water irrigation projects, dam construction under government and railway entities. The promoters' extensive experience is also reflected through the healthy order book position at Rs.411.14 crore as on 31 July, 2019. Hence, the healthy order book provides modest revenue visibility for the firm over the medium term.

Acuité believes that the firm will continue to benefit through the promoters' extensive industry experience over the medium term.

- **Healthy financial risk profile**

SSSC has healthy financial risk profile as marked by adequate net worth, low gearing and healthy debt protection measures. The net worth of the firm stood at Rs.58.05 crore as on 31 March, 2019 (Provisional) as against Rs.50.24 crore in the previous year on account of accrued profits. The firm's gearing is estimated to be low at 0.34 times as on 31 March, 2019 (Provisional) as against 0.59 times in the previous year. The firm has followed a conservative financial policy in the past as reflected by its peak gearing of around 0.59 times as on 31 March, 2018. The total debt of Rs.19.61 crore consists of long-term debt of Rs.15.46 crore, and Rs.4.14 crore of short-term debt obligations. The healthy profitability levels have resulted in healthy net cash accruals of Rs.14.36 crore during 2017-19 (Provisional). The interest coverage ratio stood at 7.50 times in FY19 (Provisional) as against 6.64 times in the previous year. NCA/TD ratio stood 0.73 times in FY19 (Provisional). Acuité believes that the financial risk profile will continue to remain healthy on account of healthy cash accruals.

- **Efficient working capital operations and adequate liquidity**

The firm continues to efficiently manage its working capital requirement with Gross Current Asset of 35 days for FY2019 (Provisional) compared to 83 days in the previous year. The inventory holdings stood at 31 days in FY2019 (Provisional) as against 62 days in the previous year. Further, the collection period

stood at 4 days in FY2019 (Provisional) as against 20 days in the previous year. Despite blockage of funds as retention money and margin money for bank guarantees, the firm has efficiently managed its working capital. Further, the liquidity remains adequate because of comfortable cash accruals against debt repayment obligations of Rs. 5.28 crore over the medium term. The average cash credit utilisation for the last six months stood at around ~60.00 per cent ended June, 2019. Acuité believes that the working capital requirements will continue to remain comfortable over the medium term.

Weaknesses

- **Profitability susceptible to fluctuations in input cost**

The input costs i.e. power cost, labour cost and raw materials (iron, steel and cement) are highly volatile in nature with labour cost constituting around 75 per cent of the total revenue as the company sub-contracts its work. Hence, any adverse movement in input costs can impact profitability. The company's EBITDA margin shows volatility with 13.06 per cent in FY2019 (Provisional) as against 19.46 per cent in FY2018 and 19.14 per cent in FY2017.

- **High dependence on government orders, mitigated by established relations and efficient liaisoning with government authorities**

SSSC does civil construction work mainly for Central Railway and Maharashtra Government, which indicates that the firm's revenues are highly dependent on number and value of tenders floated by State Government. Moreover, any further delays in the project execution of current projects along with the delayed receipt from Government and site related issues are likely to result in higher working capital requirements. However, this risk is mitigated, as SSSC has established relations with State Government departments which resulted in timely realisations and winning of tenders at regular intervals.

Liquidity Position:

SSSC has strong liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of ~Rs.11.05-14.38 crore during the last three years through 2017-19 (Provisional), while its maturing debt obligations stood at Rs.5.50 crore as on 31 March, 2019 (Provisional). The cash accruals of the company are estimated to remain at around ~Rs.17.00-23.00 crore during 2020-22. The company's working capital operations are comfortable as marked by Gross Current Asset (GCA) days of 36 in FY 2018. SSSC maintains unencumbered cash and bank balances of Rs.0.95 crore as on March 31, 2019 (Provisional). The current ratio of the company stood low at 0.86 times as on 31 March, 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accrual against it maturing debt.

Outlook: Stable

Acuité believes that the outlook on SSSC's rated facilities will remain 'Stable' over the medium term on account of its promoters' extensive experience, healthy financial risk profile and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	140.46	88.09	70.48
EBITDA	Rs. Cr.	18.34	17.14	13.49
PAT	Rs. Cr.	7.68	5.74	7.84
EBITDA Margin	(%)	13.06	19.46	19.14
PAT Margin	(%)	5.47	6.52	11.13
ROCE	(%)	19.37	19.74	22.21
Total Debt/Tangible Net Worth	Times	0.34	0.59	0.28
PBDIT/Interest	Times	7.50	6.64	10.63
Total Debt/PBDIT	Times	0.89	1.45	0.88
Gross Current Assets (Days)	Days	36	83	38

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

Not Applicable

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
27-Jun-2018	Cash Credit	Long Term	10.00	ACUITE BBB+ / Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB+ / Stable (Reaffirmed)
	Bank Guarantee	Short Term	16.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	16.00	ACUITE A2 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	15.00	ACUITE A2 (Reaffirmed)
21-Mar-2018	Cash Credit	Long Term	10.00	ACUITE BBB+ / Stable (Upgraded from ACUITE BBB-/Stable)
	Cash Credit	Long Term	3.00	ACUITE BBB+ / Stable (Upgraded from ACUITE BBB-/Stable)
	Term Loan	Long Term	3.00	ACUITE BBB+ / Stable (Assigned)
	Bank Guarantee	Short Term	16.50	ACUITE A2 (Upgraded from ACUITE A3)
	Bank Guarantee	Short Term	16.00	ACUITE A2 (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	5.07	ACUITE A2 (Assigned)
	Proposed Short Term Loan	Short Term	6.93	ACUITE A2 (Assigned)
02-Mar-2017	Cash Credit	Long Term	10.00	ACUITE BBB- / Stable (Assigned)
	Proposed Cash Credit	Long Term	2.00	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	10.00	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	6.00	ACUITE BBB+ / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE A2 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE A2 (Reaffirmed)

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About Acuité Ratings & Research:

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