



## Press Release

### Shri Satya Saibaba Constructions

November 04, 2020

#### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 60.50 crore*
<b>Long Term Rating</b>	ACUITE BBB+/ Outlook: Stable (Reaffirmed)
<b>Short Term Rating</b>	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 to '**ACUITE A2**' (**read as ACUITE A two**) on the Rs. 60.50 crore bank facilities of Shri Satya Saibaba Constructions. The outlook is '**Stable**'.

#### About the firm

Established in 1997 as a proprietorship concern, and later reconstituted as a partnership firm in the year 2000, Shri Satya Saibaba Constructions (hereinafter referred to as SSSC) is a Latur-based 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, NHAI and Public Works Department.

In addition to this, SSSC has been reconstituted as a private limited company namely Shri Satyasai Baba Infra Ventures Private Limited (SSBIVPL) on 30<sup>th</sup> June, 2020 with existing partners becoming directors in the company.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

###### • **Established track record of operations and experienced management**

Established in the year 1997 by Mr. Dilip Raosaheb Mane, SSSC has been executing civil construction contracts in Maharashtra for nearly two decades. Mr. Dilip Raosaheb Mane holds an experience of more than two decades in the aforementioned industry. The firm 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 unexecuted order book position at Rs.210.89 crore as on 30<sup>th</sup> September, 2020, thereby providing modest revenue visibility for the firm over the medium term.

Owing to its established track record of operations and management experience, the firm has booked the revenue of Rs. 238.87 crore in FY2020 (Prov.) as compared to Rs. 156.72 crore in FY2019 and Rs. 88.09 crore in FY2018, growing at a CAGR of 46.59 per cent over 5 years. Further, the firm has booked a revenue of Rs. 72.36 crore for the half-year ended as on 30th September, 2020.

Acuité believes that SSSC will continue to benefit from its established track record of operations and experienced management.

- **Healthy financial risk profile**

The financial risk profile of the firm is healthy marked by strong net worth, healthy gearing, above average debt protection metrics and coverage indicators.

The net worth of SSSC is healthy, estimated at around Rs. 63.45 crore as on March 31, 2020 (Prov.). The net worth levels have seen significant improvement over the last three years through FY2020 on account of healthy profitability.

SSSC has followed a conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 0.59 times and 0.93 times as on March 31, 2018, over the past three years. The leverage levels continue to remain healthy at 0.27 times as on March 31, 2020 (Prov.). The total debt of Rs. 17.20 crore as on 31 March 2020 (Prov.) comprised of long-term borrowings of Rs. 13.19 crores and working capital borrowings of Rs. 4.00 crores.

Healthy profitability has led to above-average debt coverage indicators of the SSSC marked by debt-service-coverage-ratio of 7.47 times as on 31st March, 2020 (Prov.) as against 2.23 times as on 31st March, 2019 and interest coverage ratio of 9.92 times as on 31st March, 2020 (Prov.) as against 7.92 times as on 31st March, 2019. Currently, there are no plans for capital expansion in the firm. Further, healthy net cash accruals have resulted in lower dependence on its working capital limits, resulting in average utilization of ~15.11 per cent over the last nine months ended September, 2020. Acuité believes that the financial risk profile of SSSC will continue to remain healthy on account of healthy profitability and strong net worth.

- **Working capital efficient nature of operations**

The firm has efficient working capital requirements, as reflected in gross current assets (GCA) of 15 days as on March 31, 2020 (Prov.) as compared to 39 days as on March 31, 2019. This improvement is on account of lower inventory days, due to the execution of existing order book resulting in lower work-in-progress. Debtor days stood at 7 days as on March 31, 2020 (Prov.) as compared to 5 days as on March 31, 2019 and inventory days stood at 3 days as on March 31, 2020 (Prov.) as compared to 34 days as on March 31, 2019. However, the current ratio stood low at 0.70 times as on March 31, 2020 (Prov.) Acuité expects the working capital operations of the SSSC to remain efficient on account of the level of inventory to be maintained and the credit given to its customers.

## Weaknesses

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

The input costs, i.e. power cost, labor cost and raw materials (iron, steel and cement) are highly volatile in nature with labor cost constituting around 75 per cent of the total revenue as the firm subcontracts its work. Any adverse movement in input costs can impact profitability. The firm's EBITDA margin shows volatility with 11.08 per cent in FY2020 (Provisional) as against 14.10 per cent in FY2019 and 19.46 per cent in FY2018.

- **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 the 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 realizations

and winning of tenders at regular intervals.

#### **Rating Sensitivity**

- Significant deterioration in the scale of operations.
- Significant deterioration in its working capital management.
- Improvement in profitability levels, thereby improving firm's debt coverage indicators.

#### **Material Covenants**

None

#### **Liquidity: Adequate**

SSSC has adequate liquidity profile marked by healthy net cash accruals to its maturing debt obligations. The firm has generated cash accruals of Rs. 18.39 crore for FY2020 (Prov.), while its maturing debt obligations were Rs. 2.00 crore for the same period. The firm's working capital operations are efficient marked by Gross Current Asset (GCA) of 15 days for FY2020 (Prov.). The firm maintains unencumbered cash and bank balances of Rs. 0.74 crore as on 31 March, 2020 (Prov.). The working capital limit of SSSC remains utilised at ~15 per cent in the last nine months till September 2020. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of healthy cash accruals against debt repayments over the medium term.

#### **Outlook: Stable**

Acuité believes that SSSC will maintain a 'Stable' outlook over the medium term on the back of promoters' extensive experience in the industry and established position. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or in case of deterioration in the firm's financial risk profile or significant elongation in the working capital cycle.

#### **About the Rated Entity - Key Financials**

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	238.87	156.72
PAT	Rs. Cr.	11.63	8.18
PAT Margin	(%)	4.87	5.22
Total Debt/Tangible Net Worth	Times	0.27	0.35
PBDIT/Interest	Times	9.92	7.92

#### **Status of non-cooperation with other CRA**

None

#### **Any other information**

Not Applicable

#### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History (Up to previous three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13 August 2019	Cash Credit	Long term	10.00	ACUITE BBB+/ Stable (Reaffirmed)
	Cash Credit	Long term	6.00	ACUITE BBB+/ Stable (Reaffirmed)
	Bank Guarantee	Short term	16.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short term	28.00	ACUITE A2 (Reaffirmed)
27 June 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 March 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 March 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)
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**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Bank	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	IDBI Bank	ACUITE BBB+/ Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	HDFC Bank Limited	ACUITE BBB+/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	16.50	IDBI Bank	ACUITE A2 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	28.00	HDFC Bank Limited	ACUITE A2 (Reaffirmed)

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**About Acuité Ratings & Research:**

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