

Press Release

Suryodaya Infra Projects (I) Private Limited

January 17, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	38.00		ACUITE A3 Reaffirmed
Bank Ratings Loan	29.00	ACUITE BBB- Stable Reaffirmed	
Total	67.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating to '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.67.00 crore bank facilities of Suryodaya Infra Projects (I) Private Limited (SIPPL). The outlook is '**Stable**'.

Rationale for rating reaffirmed

The rating reaffirmation takes into account its experienced management, strong order book, above-average financial risk profile and moderate geographical concentration risk. These strengths are partially offset by its tender-based nature of business and Working capital intensive operations.

About the Company

Established in 2008, Suryodaya Infra Projects (I) Private Limited (SIPPL) is based in Hyderabad (Telangana) and engaged in various civil construction activities primarily related to Roads & bridges, irrigations, buildings, etc for both public and private sector. SIPPL, a Class I contractor, is promoted and managed by Mr. B Rajendra Prasada Rao who has around 3 decades of experience in civil construction segment.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SIPPL to arrive at the rating.

Key Rating Drivers

Strengths

Promoters' extensive industry experience and healthy order book providing long term revenue visibility

SIPPL, a Class I civil contractor, has established presence in executing projects related to primarily roads & bridges, irrigations, buildings amongst others for both public and private sector. Mr. B Rajendra Prasada Rao, the managing director of SIPPL, has 30 years of experience in the line of civil construction. With the promoters' extensive industry experience and timely execution of its past projects, SIPPL has been able to establish long-standing relationship with various private companies such as Tata Projects Limited, Sterlite Technologies Ltd, etc; PSU companies such as NMDC Limited, BHEL, NTPC Limited, etc and government bodies such as Greater Hyderabad Municipal Corporation (GHMC), National Highways & Infrastructure Development Corporation Ltd, and Telangana State Mineral Development Corporation (TSMDC) amongst others. As on November 30, 2021, SIPPL has an unexecuted order book position of approx. Rs.962.80 Cr; estimated to be executed over the

next 24-36 months providing long-term revenue visibility. Acuité believes that the promoters' extensive industry experience and established relation with its principal contractors will aid SIPPL's business risk profile over the medium term.

Above-average financial profile

SIPPL's financial risk profile is above-average, marked by healthy capital structure yet above-average debt protection metrics. SIPPL has comfortable net worth at Rs. 32.69 Cr as on March 31, 2021 as against Rs.27.78 Cr as on March 31, 2020.. Comfortable net worth and moderate debt resulted in healthy gearing (debt-to-equity) and total outside liabilities to tangible net worth (TOL/TNW) ratio of 0.37 times and 1.39 times, respectively, as on March 31, 2021 vis-à-vis 0.15 times and 0.80 times March 31, 2020. Debt protection metrics were above-average, reflected in interest coverage (ICR) and net cash accrual to total debt ratio (NCA/TD) of 4.35 times and 0.57 times, respectively, in FY2021 vis-à-vis 5.35 times and 1.65 times for FY2020. Acuité believes that in the absence of any major debt-funded capital expenditure plan in near term; improving cash accruals supported by lower reliance on fund based debt will lead to above-average financial risk profile over the medium term.

Moderate geographical concentration risk in unexecuted order book

SIPPL has executed projects Pan India. Its present unexecuted order book of Rs.962.80 Cr too is moderately diversified across 6 geographies with highest exposure to Ircon international project awarded in West Bengal worth Rs.325.94 Cr, which was awarded in September 2021 and is expected to be completed by September 2024. Out of the total outstanding orders of Rs.962.80 Cr as on November 2021, 54.73 percent of orders is from West Bengal, 20.00 percent from Telangana, 10.01 percent from Chhattisgarh, and remaining from other states; thereby signifying moderate geographical concentration in revenue profile. SIPPL has lately started bidding for projects possessing tenure more than 9 to 12 months; which assures long-term revenue visibility. Acuité believes that management's approach towards executing projects in various geographies of longer tenure provides will not only bolster the scale of operations; will also ensure moderate geographical concentration and assure long term revenue visibility.

Weaknesses

Mix of sub-contract/direct work from private companies and PSUs + Tender based for direct government contracts

SIPPL executes contracts awarded through sub-contract as well on a tender basis. It executes projects awarded by PSUs on sub-contracts basis and direct contracts from private companies. Additionally, it also executes tender based projects awarded by various government bodies. Under tender based projects - Once the tender is allotted, EMD of 5-7.5 per cent is deposited. The company raises bills on monthly basis. SIPPL has the option of availing mobilization advance but refrains from the same due to high interest costs of 10-18 percent. The retention money is usually 5-10 per cent of the contract value which is released after a defect liability period of 1-3 years; which is usually the O&M of the project. Since, the nature of operations is partially tender based, the business depends on the ability to bid for contracts successfully. SIPPL has success rate of 75 to 85 percent in bidding. SIPPL's revenue and profitability are susceptible to risks inherent in contract based operations. Also, Tender based Acuité Ratings & Research Limited www.acuite.in operations limit pricing flexibility in an intensely competitive industry. Acuité believes that SIPPL's revenue and profitability are susceptible to risks inherent in tender based operations which limit pricing flexibility in an intensely competitive industry as well from the reasonable exposure of the order book from private companies and sub-contracted orders from PSUs.

Working capital cycle marked by moderate GCA days

The working capital cycle is marked by moderate GCA days in the range of 110-240 days over the last 3 years ending March 31, 2021. The GCA days are marked by low inventory days and moderate debtor days. The GCA days include the other current asset portion in form of security deposits, retention money and EMD. These are partially offset by high creditor days. It pays the RM creditors within 30-60 days; however certain portion pertain to expenses payable to sub-contractors. The moderate GCA cycle has led to average utilization of 84.80 percent of bank lines of Rs.9 crores over the past 11 months ending November, 2021. Acuité believes that the operations of the SIPPL will remain moderately working capital intensive on account

of continuous submission of security deposits and retention money.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Timely execution of its order book leading to substantial improvement in scale of operations while maintaining profitability margins over the medium term.
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile and liquidity.

Material covenants

None.

Liquidity: Adequate

SIPPL has CC limits of Rs.9 crores which have remained utilized on an average ~92.00 percent over the last 11 months till November 30, 2021. SIPPL has managed to grow its scale for the last 5 years at healthy pace with enhancement in CC limits by 2.00 cr i.e.Rs.9.00 crores. It relatively has lower dependence on fund based debt to achieve the present scale of operations. SIPPL has generated NCA of Rs.6.89 crores in FY2021 against debt obligation of Rs.1.19 crores. The company is expected to generate adequate NCAs in the range of Rs.6.5-11 crores against CPLTD of Rs.0.20-0.70 crores. SIPPL's secured loan increased as on March 31, 2021 to Rs.2.87 crores from Rs.0.08 crores as on previous year. These loan are Covid loans and GECL loans. SIPPL has low unencumbered cash and bank balance of Rs.0.06 crores as on March, 2021 and moderate current ratio of 1.70 times. Acuité believes that SIPPL's liquidity will remain adequate over the medium term backed by lower reliance on debt and moderate accruals.

Outlook: Stable

Acuité believes that SIPPL will continue to benefit over the medium term due to its experienced management and healthy order book providing long term revenue visibility. The outlook may be revised to 'Positive', in case of timely execution of its unexecuted order book leading to higher-than-expected revenues and profitability with improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case SIPPL registers lower-than-expected decline in revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leads to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	99.55	92.18
PAT	Rs. Cr.	4.91	4.80
PAT Margin	(%)	4.93	5.20
Total Debt/Tangible Net Worth	Times	0.37	0.15
PBDIT/Interest	Times	4.35	5.35

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

Crisil Ratings vide its press release dated March 25, 2021 had denoted the rating of Suryodaya Infra Projects (I) Private limited as "ISSUER NOT CO-OPERATING" on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Dec 2020	Bank Guarantee	Short Term	23.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed Bank Facility	Long Term	22.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Upgraded from ACUITE BB-)
02 Jan 2020	Letter of Credit	Short Term	1.50	ACUITE A4+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	10.50	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE BB- (Issuer not co-operating*)
08 Oct 2018	Cash Credit	Long Term	8.00	ACUITE BB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	10.50	ACUITE A4+ (Issuer not co-operating*)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Issuer not co-operating*)
16 May 2017	Cash Credit	Long Term	8.00	ACUITE BB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	10.50	ACUITE A4+ (Issuer not co-operating*)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Issuer not co-operating*)
19 Jan 2016	Cash Credit	Long Term	8.00	ACUITE BB- Stable (Assigned)
	Bank Guarantee	Short Term	10.50	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A3 Reaffirmed
ICICI Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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