



Press Release
Shri Aruna Construction Private Limited
July 30, 2024

Rating Reaffirmed and Withdrawn

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|---------------------|--|--|
| Bank Loan Ratings | 3.00 | ACUITE BB+ Reaffirmed & Withdrawn | - |
| Bank Loan Ratings | 1.00 | Not Applicable Withdrawn | - |
| Bank Loan Ratings | 30.00 | - | ACUITE A4+ Reaffirmed & Withdrawn |
| Total Outstanding Quantum (Rs. Cr) | 0.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 34.00 | - | - |

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four Plus**) on the Rs.33 Cr. bank facilities of Shri Aruna Constructions Private Limited (SACPL).

Acuite has also withdrawn the long-term rating on the Rs.1 Cr. proposed facilities of Shri Aruna Constructions Private Limited (SACPL). The same is withdrawn without assigning any rating as it is proposed facilities.

The rating withdrawal is in accordance with the Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company and NOC(No Objection Certificate) received from the lender.

Rationale for rating reaffirmation:

The reaffirmation of rating factors in the decline in scale of operations during FY2024 (Prov.), stable operating margins and above average financial risk profile. SACPL's revenue declined by ~75 percent in FY2024 (Prov.) due to lack of new orders and delay in funds from the respective department, leading to pileup of working progress. Consequently, gross current asset (GCA) days have elongated in FY2024. Despite the declined scale of operations, the financial risk profile remained healthy, primarily due to decent network and low debt levels.

About the Company

Shri Aruna Constructions Private Limited (SACPL) was established in the year 2002 having its registered office in Bangalore, mainly engaged in the field of civil construction work in Karnataka for various clients. Mr. J. Venugopal Krishnam Raju, Mr. J. Rama Raju and Ms. J Sowjanya currently manage the company. . The major customers include Karnataka State Road Transport Corporation (KSRTC), Karnataka Housing Board (KHB), Karnataka State Police Housing & Infrastructure Development Corporation Limited (KSPH & IDCL), Sarva Sikshana Abhiyan, Karnataka Health System Development Research Projects (KHSDRP).

Analytical Approach

Acuité has taken the standalone view of business and financial risk profile of SACPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management:

SACPL is promoted by Mr. J.Rama Raju and Mr. J.Venu Gopal Krishnam Raju and undertakes civil construction projects with established presence in Karnataka. Both the directors have more than two decades of experience in the industry. The company benefits from its established presence in the segment with long standing relationship with government agencies namely Karnataka Health System Development and Reform Project (KHSDRP), Karnataka Public Work Department (KPWD), Health and Family Welfare Department (HFWD) among others. The established presence and track record of in time completion of the orders has resulted in attaining repeated order from Karnataka State government departments. SACPL currently has around ~Rs.500 Cr. of outstanding order book from KPWD, Karnataka State Police Housing Corporation (KSPH) and others which are to be executed in next 18-24 months providing revenue visibility over the medium term.

Above average financial Risk Profile:

SACPL's financial risk profile is above average marked by healthy net worth, healthy capital structure. The net worth improved to Rs.67.41 Cr. as on March 31, 2024 (prov.) as against Rs.65.29 Cr. as on March 31, 2023. Growth in net worth is primarily due to accretion of profits to reserves. The capital structure is healthy as observed from low gearing of 0.15 times as on March 31, 2024(Prov.) against 0.09 times of March 31, 2023. Total outside liabilities to net worth stood stable at 0.63 times as on March 31, 2024 (Prov). The company's debt protection metrics are moderate, with an interest coverage ratio (ICR) of 5.00 times and a as of March 31, 2024 (prov.), compared to 5.04 times. However, a substantial decline in operating profit during the year has resulted in deterioration of debt service coverage ratio (DSCR) and debt-to-EBITDA to 0.55 times and 2.49 times respectively, as of March 31, 2024 (Prov.), compared to 4.01 times and 0.35 times as of March 31, 2023.

Weaknesses

Intensive nature of working capital operations:

SACPL's working capital operations are intensive in nature as evident by gross current days (GCA) of 499 days in FY2024 (prov.), compared to 121 days in FY2023. Surge in GCA days is due to rise in inventory levels on account of works in progress. The GCA days includes the other current asset portion in form of retention money, security deposits and other advances, which further take it to elongated levels. The company enjoys credit period of 60-90 days from suppliers of raw materials and manages its operations with the cash credit facilities, as a result, dependency on external long term debt is very low. Besides, current ratio of the company has improved to 1.72 times during FY2024 (Prov.) against 1.48 times in previous year. SACPL's bank limits were utilized at an average of 65 percent during the past 6 months ending June 30, 2024.

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suppliers of raw materials and manages its operations with the cash credit facilities, as a result, dependency on external long term debt is very low. Besides, current ratio of the company has improved to 1.73 times during FY2024 (Prov.) against 1.48 times in previous year. SACPL's bank limits were utilized at an average of 65 percent during the past 6 months ending June 30, 2024.

Highly competitive and fragmented industry with tender-based nature of business

SACPL operates in highly competitive and fragmented industry with presence of several players and tender nature of business. SACPL is into mid-size projects, wherein the competition is moderate vis-à-vis high or low value projects. However, the risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts, and susceptibility to inherent cyclicity in the works and private investment in case of non-government projects. However, having an operational track record of around over two decades has helped the company to mitigate this risk. Acuité expects SACPL enjoys the operational advantage and timely completion of the projects leading to securing business from Governments and corporates regularly.

Rating Sensitivities

Not applicable

Liquidity Position : Adequate

SACPL's has adequate liquidity which is evident from the sufficient Net cash accruals (NCA) against nominal debt repayment. The company has reported NCA's of Rs. 2.57 Cr. as on March 31, 2024(Prov.) against repayment obligations of Rs.0.22 Cr. for equipment loans for the same period. Bank limits were utilized in the range of 65 percent during the past 6 months ending June 31, 2024.

Outlook: Not applicable

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 24 (Provisional) | FY 23 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income | Rs. Cr. | 41.54 | 163.39 |
| PAT | Rs. Cr. | 2.12 | 9.59 |
| PAT Margin | (%) | 5.10 | 5.87 |
| Total Debt/Tangible Net Worth | Times | 0.15 | 0.09 |
| PBDIT/Interest | Times | 5.00 | 5.04 |

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-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|------------------------------------|------------|-----------------|--|
| 15 Sep 2023 | Cash Credit | Long Term | 3.00 | ACUITE BB+ Stable (Reaffirmed) |
| | Proposed Long Term Bank Facility | Long Term | 1.00 | ACUITE BB+ Stable (Reaffirmed) |
| | Bank Guarantee/Letter of Guarantee | Short Term | 19.00 | ACUITE A4+ (Reaffirmed) |
| | Bank Guarantee/Letter of Guarantee | Short Term | 11.00 | ACUITE A4+ (Reaffirmed) |
| 17 Jun 2022 | Bank Guarantee/Letter of Guarantee | Short Term | 17.00 | ACUITE A4+ (Reaffirmed) |
| | Bank Guarantee/Letter of Guarantee | Short Term | 11.00 | ACUITE A4+ (Reaffirmed) |
| | Cash Credit | Long Term | 3.00 | ACUITE BB+ Stable (Upgraded from ACUITE BB Stable) |
| | Working Capital Term Loan | Long Term | 0.53 | ACUITE BB+ Stable (Upgraded from ACUITE BB Stable) |
| | Proposed Long Term Bank Facility | Long Term | 2.47 | ACUITE BB+ Stable (Upgraded from ACUITE BB Stable) |
| 19 Mar 2021 | Bank Guarantee (BLR) | Short Term | 11.00 | ACUITE A4+ (Upgraded from ACUITE A4) |
| | Bank Guarantee (BLR) | Short Term | 17.00 | ACUITE A4+ (Upgraded from ACUITE A4) |
| | Cash Credit | Long Term | 3.00 | ACUITE BB Stable (Upgraded from ACUITE B+ Stable) |
| | Proposed Long Term Bank Facility | Long Term | 2.47 | ACUITE BB Stable (Upgraded from ACUITE B+ Stable) |
| | Working Capital Term Loan | Long Term | 0.53 | ACUITE BB Stable (Upgraded from ACUITE B+ Stable) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------------|------------------------------------|----------------------|----------------------|----------------------|------------------|-------------------|-------------------------------------|
| Kotak Mahindra Bank | Not avl. / Not appl. | Bank Guarantee/Letter of Guarantee | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 19.00 | ACUITE A4+ Reaffirmed & Withdrawn |
| Union Bank of India | Not avl. / Not appl. | Bank Guarantee/Letter of Guarantee | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 11.00 | ACUITE A4+ Reaffirmed & Withdrawn |
| Union Bank of India | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 3.00 | ACUITE BB+ Reaffirmed & Withdrawn |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 1.00 | Not Applicable Withdrawn |

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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