

Press Release

Sagittal Infra Project

March 16, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.50 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the abovementioned bank facilities of Sagittal Infra Project (SIP). The outlook is '**Stable**'.

Established in 2012, SIP is an Andhra Pradesh-based partnership firm that undertakes civil construction contracts (mining, irrigation, railway projects). The firm executes contracts for water resource department of Andhra Pradesh. The firm was promoted by Mr. K Krishna Kishore and Mr. C.H Dasaradha Ram.

Key Rating Drivers

Strengths

- **Experienced management**

SIP was established in 2012. The firm was promoted by Mr. K Krishna Kishore, Mr. C.H Dasaradha Ram, Mr. C H. Ganeswara Rao and others. The promoters have experience of more than six years in the civil construction and real estate sectors. Further, the firm also has an experienced and qualified second tier management.

- **Moderate Order Book**

SIP has moderate order book position with unexecuted orders in hand of approximately Rs. 78 crore (exclusion of escalation amount) as on February 2018, providing revenue visibility for the medium term.

- **Comfortable profitability**

SIP's operating profit margin improved to 4.55 percent in FY2017 against 2.60 percent in FY2016 on account of fall in raw material prices. Further, the net margin stood at 1.47 percent in FY2017. The Return on Capital employed stood comfortable at 14.42 percent in FY2017.

- **Comfortable working capital cycle**

The firm has comfortable working capital cycle reflected by the Gross Current Asset days of at 59 in FY2017. The receivable days stood at 39 in FY2017. The average bank limit utilization stood at 100 percent for the last six months.

Weaknesses

- **Average financial risk profile**

The financial risk profile is moderate marked by net worth of Rs. 3.47 crore as on 31 March, 2017 against Rs. 2.69 crore as on 31 March 2016. The gearing stood at 3.26 times as on 31 March, 2017 compared to 1.07 times in the previous year on account of addition in borrowings in FY2017. The total debt of Rs. 11.32 crore consists of working capital borrowings of Rs. 5.58 crore and other long term loan of 5.60 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 3.54 times in FY2017. In FY2017, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.15 times.

• **High dependence on the government**

Since SIP deals largely with government organizations, the nature of business is tender based. Any delay in project execution or receipts is likely to result in higher working capital requirement. However, this risk is mitigated owing to the established relations of the firm with government departments.

• **Competitive and fragmented industry.**

The firm is exposed to intense competition in the construction industry.

Outlook: Stable

SMERA believes that SIP will maintain a Stable outlook over the medium term owing to its experienced management and orders in hand. The outlook may be revised to 'Positive' in case the firm registers more than expected growth in revenue while achieving improvement in profitability with successful sourcing and execution of projects. Conversely, the outlook may be revised to 'Negative' in case of delays in project execution leading to low profitability or lengthening of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	53.26	51.86	16.01
EBITDA	Rs. Cr.	2.42	1.35	0.30
PAT	Rs. Cr.	0.54	0.85	0.18
EBITDA Margin	(%)	4.55	2.60	1.88
PAT Margin	(%)	1.02	1.64	1.12
ROCE	(%)	14.42	42.50	104.15
Total Debt/Tangible Net Worth	Times	3.26	1.07	0.35
PBDIT/Interest	Times	3.54	469.20	310.89
Total Debt/PBDIT	Times	4.67	2.13	0.50
Gross Current Assets (Days)	Days	59	46	18

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/ Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	5.5 Cr	SMERA BB-/ Stable

Contacts

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