



Press Release
Sri Srinivasa Constructions India Private Limited
August 04, 2023

Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	30.50	ACUITE BBB+ Stable Upgraded	-
Bank Loan Ratings	210.00	-	ACUITE A2 Assigned
Bank Loan Ratings	140.00	-	ACUITE A2 Upgraded
Total Outstanding Quantum (Rs. Cr)	410.50	-	-

Rating Rationale

Acuite has upgraded its long term rating to '**ACUITE BBB+**' (read as **ACUITE Triple B Plus**) from '**ACUITE BB+**' (read as **ACUITE double B Plus**) and the short term rating to '**ACUITE A2**' (read as **ACUITE A two**) from '**ACUITE A4+**' (read as **ACUITE four plus**) on the Rs.170.50 Cr bank facilities of Sri Srinivasa Constructions India Private Limited (SSCIPL).

Acuite has assigned its 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.240.00 Cr bank facilities of Sri Srinivasa Constructions India Private Limited (SSCIPL).

The outlook remains '**Stable**'.

Rationale for Upgrade

The rating upgrade takes into account the stable operating and financial performance of the company, marked by stable operating income, improved margins and healthy financial risk profile. Further, the operating performance is supported by a healthy orderbook of ~Rs.2599 Cr to be executed as on April 2023. The operating income of the company ranged between Rs.280-Rs.395 Cr in last three years ended March 31, 2023. Also, the operating margins improved to 8.96 percent in FY2023 (Prov) as against 7.26 percent in FY2022. The rating continues to derive strength from experienced management which helps them in winning orders from the government clients such as Karnataka Industrial Areas Development Board, PWD Project to name few and established relationship with its suppliers. However, the rating remains constrained by the intensive working capital management, geographical concentration of its projects, volatility in raw material prices and the tender based nature of operations.

About the Company

The Karnataka based, Sri Srinivasa Constructions (SSC) was established in 1992 as a partnership firm by Mr. Y. Pitcheswara Rao and Mr. Y.V.S. Rama Krishna. In the year 2009, Sri Srinivasa Constructions India Private Limited (SSCIPL) was incorporated to take over the running operations of SSC. The company promoted by promoters is engaged in undertaking civil construction works including water supply projects, buildings, irrigation projects, industrial projects, road projects and power transmission projects in Karnataka, Andhra Pradesh, Tamil

Nadu, Meghalaya and Telangana.

SSCIPL is a registered Class 1 contractor for various departments including Public Work

Departments (PWD), Panchayat Raj Engineering Department (PRED), Public Health Engineering Department (PHED) among others. The present directors of the company are Mr. Yarlagadda Pitcheswara Rao and Mr. Yarlagadda Ramakrishna Venkateshiva.

Analytical Approach

Acuité has considered the standalone financials and risk profile of SSC IPL to arrive at the rating.

Key Rating Drivers

Strengths

>Experienced promoters and established nature of operations

The company promoted by Mr. Y. Pitcheswara Rao and Mr. Y.V.S. Rama Krishna with their work experience closer to three decades, are engaged in undertaking civil construction works including water supply projects, buildings, irrigation projects, industrial projects, road projects and power transmission projects in Karnataka, Andhra Pradesh, Tamil Nadu, Meghalaya and Telangana. The promoters started off as a partnership firm 1992. In the year 2009, Sri Srinivasa Constructions India Private Limited (SSCIPL) was incorporated to take over the running operations of SSC. SSC IPL is a registered Class 1 contractor for various departments including Public Work Departments (PWD), Panchayat Raj Engineering Department (PRED), Public Health Engineering Department (PHED) etc. The company is also a Category 1 contractor for various divisions of water authority of the state of Karnataka. The extensive experience of promoter is also reflected through healthy order book position of ~Rs 2599 Cr as on April 2023 which provides the revenue visibility over the medium term. Out of this, the company had obtained new orders worth Rs.130.08 crore in the year 2023 till date. . The revenue of the company stood at Rs.343.92 Cr in FY2023 (Prov) as against Rs 393.04 Cr in FY 2022.

Acuité believes that the company will continue to benefit with the promoters experience and its established presence in the industry, improving its business risk profile over the medium term.

>Moderate financial risk profile

The financial risk profile of the company stood moderate marked by moderate net worth, gearing and debt protection metrics. The tangible net worth stood at Rs.123.10 crore as on 31 March 2023 (Prov) as against Rs.106.68 crore as on 31 March 2022. Higher revenues have led to better accretion to reserves, which has led to an improvement in financial risk profile of the company. The total debt of the company stood at Rs.49.06 crore includes Rs.44.57 crore of short-term debt, Rs.0.66 crore of unsecured loans, Rs.2.81 crore of long-term debt and Rs.1.01 crore of CPLTD as on 31 March 2022 (Prov). The gearing (debt-equity) stood at 0.40 times as on 31 March 2023 (Prov) as compared to 0.10 times as on 31 March 2022. Interest Coverage Ratio stood at 3.59 times for FY2023 (Prov) as against 7.87 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 2.76 times in FY2023 (Prov) as against 4.41 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.65 times as on 31 March 2023 (Prov) as against 1.02 times on 31 March 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.38 times for FY2023 (Prov) as against 1.88 times for FY2022.

Acuité believes that, the asset lite model and strong operating performance will help maintain the financial risk profile of the company in medium term.

Weaknesses

>Intensive Working capital management

The working capital management of the company is intensive marked by GCA days of 224 days in FY2023 (Prov) as against 102 days in FY2022. The debtor days stood at 81 days in FY2023 (Prov) as against 41 days in FY2021. The reason for high debtors is because the government had passed a policy of applying for billing once the milestone is completed for EPC projects and most of the company billings happens in the end of the month of March and the payment period mostly comes in April. The average credit period allowed to customers is around 45-60 days. The creditor days stood at 394 days in FY2023 (Prov) as against 134 days in FY2022. The average period allowed by suppliers is around 30-45 days.

However, the inventory days remain around 85 days in FY 2023 (Prov) as against 12 days in FY 2022.

Acuite expects the working capital management to remain intensive over the medium term.

>Volatile raw material prices and tender based nature of operations impacting profitability

Most EPC projects undertaken by the company has a gestation period of 12-36 months, and during this time period, profitability remains susceptible to fluctuations in the input prices. However, majority of orders in hand have a built-in inflation index-linked price escalation clause, depending upon the extent of coverage of the actual increase in input prices, which mitigates the risk to an extent. SSC IPL operates in infrastructural construction industry which is highly competitive with presence of large number small, regional and large players. EPC projects executed by the company are tender based with wins going to, the lowest bidder qualifying the terms and conditions stipulated by the respective agencies floating the bids.

Acuite believes, this puts strain on profitability of the company in cases where the bidding gets aggressive.

>Geographic concentration of projects

Majority of the projects executed by the company are based out of Karnataka which is responsible for a large portion of the revenue in FY22 resulting in exposure to significant geographical and political risk. The company also have diversified to some extent picking up projects in Andhra Pradesh, Tamil Nadu, Meghalaya and Telangana.

Rating Sensitivities

- Improvement in scale of operations while maintaining profitability margins
- Intensive working capital management

Material covenants

None

Liquidity Position

Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals against repayment obligations. The company has sufficient net cash accruals in the range of Rs.15.60-20.61 Crore from FY 2021- 2023 against its maturing debt obligation of Rs.0.74-1.65 crore during the same tenure. However, the company is expected to generate a sufficient cash accrual in the range of Rs.28.09-37.79 crore against the maturing repayment obligations of around Rs.1.39 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 224 days in FY2023 (Prov) as against 102 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.0.24 crore as on March 31, 2023 (Prov). The current ratio stands at 2.34 times as on March 31, 2023 (Prov) as against 2.47 times as on March 31, 2022. The average bank limit utilization for the past 12 months ending March 2023 for fund-based facility is ~ 72 percent. Average BG Utilization is around ~80% as on April 2023.

Acuite expects the liquidity to remain adequate in the medium term.

Outlook: Stable

Acuite believes that SSC IPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established association with customers and suppliers along with comfortable financial risk profile. The outlook may be revised to 'Positive' on case of significant improvement in scale of operations while sustaining their profit margins and achieving efficient working capital management. Conversely the outlook may be revised to 'Negative' in case of any further elongation of working capital cycle and delay in realization of bills from the government institutions.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	343.92	393.04
PAT	Rs. Cr.	16.42	18.04
PAT Margin	(%)	4.78	4.59
Total Debt/Tangible Net Worth	Times	0.40	0.10
PBDIT/Interest	Times	3.59	7.87

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

CRISIL, vide its press release dated February 27, 2023 had denoted the rating to Sri Srinivasa Constructions India Private Limited (SSCIPL) as 'CRISIL B+/Stable/CRISIL A4' (Issuer Not Cooperating)' 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>
- 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, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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
30 May 2023	Bank Guarantee	Short Term	50.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	20.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	5.50	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	5.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	30.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	60.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
22 Aug 2022	Bank Guarantee	Short Term	60.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	5.50	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Reaffirmed)
27 May 2021	Bank Guarantee	Short Term	60.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	5.50	ACUITE A- Stable (Reaffirmed)
15 Apr 2021	Cash Credit	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	35.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee	Short Term	50.00	ACUITE A2+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A2 Upgraded
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2 Assigned
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	71.60	ACUITE A2 Assigned
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A2 Assigned
Karnataka Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A2 Assigned
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A2 Upgraded
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE A2 Upgraded
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB+ Stable Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB+ Stable Upgraded
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB+ Stable Upgraded
Karnataka Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB+ Stable Assigned
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB+ Stable Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A2 Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	13.40	ACUITE A2 Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE BBB+ Stable Upgraded

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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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