

## Press Release

### SS Construction

December 11, 2020



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs.22.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A3 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.22.00 crore bank facilities of S S Construction (SSC). The outlook is '**Stable**'.

The rating reaffirmation draws comfort on account of long track record of operations, experience of promoters for over two decades in the construction industry, comfortable financial risk profile and adequate liquidity as reflected by adequate NCA against repayment obligations and prudent utilization of the working capital facilities. The rating, however, remains constrained at the same level on account decline in revenues from operations in FY2020 and moderate unexecuted order book position as on November, 2020.

S S Construction (SSC), a Maharashtra-based partnership firm incorporated in 2004 is promoted by Mr. Balasaheb More and Mr. Avinash Jagtap. The firm undertakes civil construction contracts for the Maharashtra Government for construction of canals, dams, barrages and also undertakes industrial project contracts for private sector companies. The firm is registered with Public Works Department of Government of Maharashtra as Class I-A.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SSC to arrive at this rating.

### Key Rating Drivers

#### Strengths

- **Experienced management and established track record of operations**

SSC is promoted by Mr. Balasaheb More and Mr. Avinash Jagtap, the promoters of the firm, who have been engaged in the same industry for more than two decades. Mr. Balasaheb More and Mr. Avinash Jagtap look after the day-to-day operations of the firm. The senior management team is ably supported by a strong line of mid-level managers. The extensive experience of the promoters is reflected through the established relationship with its customers. Acuité believes that SSC will sustain its existing business profile on the back of an established track record of operations and experienced management.

- **Moderate financial risk profile**

SSC's financial risk profile is moderate, marked by a moderate networth, low gearing and healthy debt protection metrics. SSC's net worth stood at Rs.32.37 crore as on March 31, 2020 compared to Rs.28.10 crore same period last year on account of healthy accretion to reserves during the same period. The firm has followed a conservative financial policy in the past, the same is reflected through its low gearing levels of 0.34 times as on March 31, 2020 as against 0.37 times as on March 31, 2019. The coverage indicators slightly deteriorated but remained comfortable marked by Interest Coverage Ratio (ICR) of 6.91 times for FY2020 as against 8.73 times for FY2019. The NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.74 times in FY2020 as against 0.95 times in FY2019 and Debt to EBITDA stood

at 1.15 times in FY2020 as against 0.93 times in FY2019 respectively. Acuité expects the financial risk profile to remain moderate over the medium term on account of healthy accretion to reserves and absence of major debt funded capex plan.

### Weaknesses

- **Decline in revenue from operations in FY2020**

Revenue from operations of the firm has declined in FY2020 to Rs.66.81 crore as compared to Rs.89.26 crore in FY2019. The decline in revenues is majorly on account of lower construction activities followed by covid-19 pandemic impact in Q4FY2020. Further, the firm has booked revenues of around Rs.30 crore in FY2021 (till October, 2020) as the construction activities were halted from April, 2020 to June, 2020 on account of various lockdown initiatives due to covid-19 pandemic across the country. The firm has a moderate unexecuted order book position of around Rs.145 crores as on November, 2020. However, the operating profit margin of the firm improved to 14.22 percent in FY2020 from 12.36 percent in FY2019 on account of lower operating expenses during the period. Acuité believes that the ability of the firm to increase the scale of operations would be the key rating sensitivity factor over the medium term.

- **Competitive and fragmented industry**

SSC is engaged as an EPC contractor. This particular sector is marked by the presence of several mid to large sized players. The firm faces intense competition from the other players in the sectors. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts. Acuité believes that the firm is well positioned on account of its longstanding relationship with well-established players in the infrastructure industry, long track-record and experience of its promoters spanning nearing two decades.

### Liquidity Position: Adequate

SSC has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.8.24 crore for FY2020 while its maturing debt obligations were Rs.0.47 crore for the same period. The cash accruals of the firm are estimated to remain in the range of around Rs.8.01 crore to Rs.11.94 crore during 2021-23 period against repayment obligation of around Rs.0.40 crore to Rs.0.39 crore during the same period. The firm has working capital intensive operations as marked by GCA days of 247 days as on 31 March, FY2020 which has led to moderate reliance on working capital borrowings and the cash credit limited has been utilized around 46 percent in last six months ended October, 2020. The firm maintains unencumbered cash and bank balances of Rs.1.12 crore as on 31, March, 2020. The current ratio stood healthy at 2.38 times as on 31 March, 2020. Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

### Rating Sensitivities

- Improvement in revenue from operations sustaining profitability margins
- Deterioration in working capital management leading to stretched liquidity

### Outlook: Stable

Acuité believes that the firm will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations, experienced management and moderate order book position. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in its revenues and profitability while maintaining 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 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	66.81	89.26
PAT	Rs. Cr.	7.40	9.18
PAT Margin	(%)	11.08	10.28
Total Debt/Tangible Net Worth	Times	0.34	0.37
PBDIT/Interest	Times	6.91	8.73

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

Not applicable

### Any other information

None

### Any Material Covenants

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Sep-2019	Proposed Bank Guarantee	Short Term	2.5	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	9.5	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	7	ACUITE BBB- / Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	3	ACUITE BBB- / Stable (Reaffirmed)
12-Jul-2019	Bank Guarantee	Short Term	9.5	ACUITE A3 (Indicative)
	Proposed Cash Credit	Long Term	3	ACUITE BBB- (Indicative)
	Proposed Bank Guarantee	Short Term	2.5	ACUITE A3 (Indicative)
	Cash Credit	Long Term	7	ACUITE BBB- (Indicative)
03-May-2018	Proposed Bank Guarantee	Short Term	2.5	ACUITE A3 (Assigned)
	Cash Credit	Long Term	7	ACUITE BBB- / Stable (Assigned)
	Proposed Cash Credit	Long Term	3	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	9.5	ACUITE A3 (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB-/ Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB-/ Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE A3 (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3 (Reaffirmed)

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**About Acuité Ratings & Research:**

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