

Press Release

SLR Infrastructure Private Limited

May 08, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.15.00 Cr
Long Term Rating	SMERA B+ / Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+** (read as SMERA B plus) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs.15.00 crore bank loan facilities of SLRI Infrastructure Pvt Ltd (SLRI). The outlook is '**Stable**'.

SLR Infrastructure Private Limited (SLRI) was originally a partnership firm (erstwhile known as Vijaya Construction Company) formed in 1989. Prior to that, the business was carried on by the main promoter, Mr. Lakshma Reddy Saleem as a proprietary concern since 1974. SLRI undertakes civil construction activities primarily irrigation contracts, road works and earth works majorly in Andhra Pradesh and Telangana. Currently, the company is being managed by Mr. Vijay Kumar Reddy Saleem.

Key rating drivers

Strengths

Extensive experience of the management:

Mr. Lakshma Reddy Saleem and Mr. Vijay Kumar Reddy Saleem have an experience of more than two decades in the civil construction industry. SLRI is a registered special class contractor with Irrigation & CAD department in Telangana and Andhra Pradesh and class-I contractor in Maharashtra and Karnataka. SLRI has an unexecuted order book of around Rs.85.10 crore as on March, 2018, to be executed over the next 24 months providing revenue visibility over the medium term. To penetrate further in irrigation works, SLRI plans to foray into Madhya Pradesh. SMERA believes that SLRI's longstanding presence is expected to benefit the business over the medium term.

Moderate financial risk profile:

The financial risk profile is driven by moderate capital structure marked by low gearing, moderate net worth and debt protection metrics. The gearing is healthy at 0.35 times though underpinned by moderate net worth of Rs.21.10 crore as on March 31, 2017 as against gearing of 0.58 times and networth of Rs.17.91 crores as of March 31, 2016. Total outside Liabilities to Total Net Worth (TOL/TNW) is moderate at 0.56 times as of March 31, 2017 as compared to 0.59 times as of March 31, 2016. The debt protection metrics of Net Cash Accruals to Total Debt (NCA/TD) and Interest Coverage Ratio are moderate at 0.17 times and 5 times in FY2017 as against 0.06 times and 2.34 times in FY2016. SMERA believes that SLRI's financial risk profile will continue to be moderate over the medium term in the absence of significant debt-funded capex plans and moderate net worth.

Weaknesses

Geographical concentration and modest scale of operations:

SLRI has been in the civil construction business for more than two decades however, its revenues are skewed towards projects in Telangana and Andhra Pradesh. This makes the revenue growth dependent on regional impetus on infrastructure development. Also, its revenues are entirely from Government and

quasi-government entities, leading to revenue and client concentration. Of SLRI's unexecuted order book of Rs.85.1 crore as of March 31, 2018, more than 90 percent is from Telangana and Andhra Pradesh. Also, the revenues are modest at Rs.31.70 crore in FY2018 (Provisional). Though the management plans to penetrate into new geography, SMERA believes that the revenue profile will continue to remain geographically concentrated with modest revenues over the medium term.

Large working capital management due to stretched debtors

The operations are working capital intensive indicated by Gross Current Assets (GCAs) of 410 days as on March 31, 2017 backed by high debtor days of 318 as on March 31, 2017. SLRI has an outstanding receivable position of about Rs.24.80 crore, of which about Rs.22.00 crore are due and outstanding for more than a year as on March 31, 2017. The same is result of projects on hold, deferment of projects by the principal to continue with the next phase, fewer works on sub-contract basis and delayed payments from the principals. Further, the payments are on milestone basis which may lead to high amount of work-in-progress (both certified and uncertified work) besides longstanding receivable position. As a result, the bank lines of Rs.3.40 crore are highly utilised over six months through March 31, 2018. SMERA believes that the operations will continue to be working-capital-intensive marked by delayed realisation of longstanding receivables and milestone based payments.

Analytical approach:

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

Outlook- Stable

SMERA believes that SLRI will maintain a 'Stable' outlook in the medium term on account of its experienced management coupled with the moderate order book position. The outlook may be revised to 'Positive' in case the company diversifies geographically, registers higher-than-expected growth in revenues and early realisation of debtors than-expected. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in the receivables, thus leading to pressure on the liquidity.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	28.43	7.71	2.44
EBITDA	Rs. Cr.	2.58	1.44	1.04
PAT	Rs. Cr.	1.25	0.35	0.16
EBITDA Margin	(%)	9.07	18.70	42.75
PAT Margin	(%)	4.39	4.60	6.70
ROCE	(%)	9.28	5.36	6.35
Total Debt/Tangible Net Worth	Times	0.35	0.58	1.38
PBDIT/Interest	Times	5.01	2.34	1.70
Total Debt/PBDIT	Times	2.80	5.93	15.40
Gross Current Assets (Days)	Days	410	1,328	4,229

Any other information:

Not Applicable

Applicable Criteria

- Infrastructure Entities- <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): Not Applicable

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 (Rs. Crore)	Ratings/Outlook
Overdraft Facility	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.40	SMERA B+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.1	SMERA A4 (Assigned)

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ABOUT SMERA

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