

## Press Release

### SLR Infrastructure Private Limited

January 05, 2023



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.50	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	93.50	-	ACUITE A3   Assigned
Total Outstanding Quantum (Rs. Cr)	105.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-** (read as **ACUITE Triple B 'minus'**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 105.00 Cr bank facilities of SLR INFRASTRUCTURE PRIVATE LIMITED (SLRIPL). The outlook is '**Stable**'.

### Rationale for the rating

The rating assigned favourably factors in its long track-record of operations, experienced management, moderate financial risk profile and adequate liquidity position. The rating, however, remains constrained on account of moderate working capital intensive operations and susceptibility of revenues and profitability to tender based nature of operations.

### About the Company

Based in Hyderabad, SLRIPL Infrastructure Private Limited (SLRIPL) 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 as a proprietary concern since 1974. During 2005-06, the firm was converted into a private limited company under the name "SLR Infrastructure Private Limited". SLRIPL undertakes civil construction activities primarily irrigation contracts, road works and earth works majorly in Andhra Pradesh and Telangana. Currently, company is promoted and managed by Mr. Lakshma Reddy and Mr. Vijay Kumar Reddy .

### Analytical Approach

For arriving at the rating, Acuite has considered the standalone business and financial risk profile of SLRIPL.

### Key Rating Drivers

#### Strengths

- Extensive experience of the management and healthy order book

Mr. Lakshma Reddy and Mr. Vijay Kumar Reddy have an experience of more than two and four decades in the civil construction industry. SLRIPL is a registered special class contractor with Irrigation & CAD department in Telangana and Andhra Pradesh and class-I contractor in Maharashtra and Karnataka. SLRIPL has an unexecuted order book of around Rs.702.00 Cr on November 30, 2022; to be executed over the next 24 months, providing adequate revenue visibility over the medium term to long term. Promoters' extensive experience and established track-record of operations and past track record of completion of projects has helped the company in directly bidding the government projects and not relying on sub-contract works. Acuite believes that SLRIPL's longstanding presence is expected to benefit the business over the medium term.

- **Improving scale of operations**

SLRIPL's scale of operations has been improving since last two years ending FY2022. The revenues stood at Rs.126.98 Cr in FY2022, Rs.35.03 in FY2021. The significant improvement in revenues is on account of healthy orders received by the company. Profitability margin has seen marginally decreasing trend i.e. EBITDA margin from 11.81 percent in FY2021 to 9.46 percent in FY2022; the deterioration in the EBITDA margins is on account of increase in commodity prices like cement and steel. Whereas, Net Profit margin has seen an decreasing trend from 6.53 percent in FY2021 to 6.27 percent in FY2022. SLRIPL has also shifted their focus on water supply, underground systems and electrical (transmission lines and substations) projects since FY2022, on account of central and state government incentives to reform the power sector. This will be an advantage to the company to generate more income in near future. As per the year to date (YTD) data till November 2022, the company has reported Rs.145.88 Cr of revenue. Acuite believes that the revenue is expected to improve further backed by its healthy order book position and profitability margins are expected to remain stable over the medium term.

- **Moderate Financial risk profile**

The financial risk profile of the company has remained moderate with moderate capital structure and debt protection metrics. The net worth of the company stood at Rs.30.20 Cr and Rs.22.23 Cr as on March 31, 2022 and 2021, respectively. The gearing of the company has been improving since last three years ending FY2022. It stood at 0.32 times as on March 31, 2022 as against 0.42 times as on March 31, 2021. SLRIPL'S debt protection metrics are moderate marked by Interest coverage ratio and debt service coverage ratio stood at 14.97 times and 11.29 times as on March 31, 2022 respectively as against 4.39 times and 3.60 times as on March 31, 2021 respectively. TOL/TNW stood at 1.49times and 0.82 times as on March 31, 2022 and 2021 respectively. The debt to EBITDA of the company stood at 0.80 times as on March 31, 2022 as against 2.16 times as on March 31, 2021. Acuite believes that the financial risk profile of the company is expected to remain moderate over the medium term on account of moderate cash accruals and no significant debt-funded capex plans.

## **Weaknesses**

- **Moderate Geographical concentration risk**

SLRIPL has been in the civil construction business for more than two decades with experience in the states of Telangana and Andhra Pradesh, Karnataka and Maharashtra. Although in FY2022 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 entities, leading to revenue and client concentration. Of SLRIPL's unexecuted order book of Rs.702.00 as of November 30 2022, 55.34 percent is from Telangana and 44.65 percent is from Andhra Pradesh. Though, the management plans to penetrate into new geography, Acuite believes that the revenue profile will continue to remain geographically concentrated over the medium term.

- **Moderate working capital management**

The working capital management of the company remained moderate with moderate gross current asset (GCA) days at 194 days as on March 31, 2022 as against 330 days as on March 31, 2021. Inventory days stood at 12 days as on March 31, 2022 as against 41 days as on March 31, 2021. The debtor day stood at 23 days as on March 31, 2022 as against 131 days as on March 31, 2021, the improvement in debtor days is due to improvement in receivables in Q4 of FY2022. Further, the average bank limit utilization in the last twelve months ended November, 22 remained at 59 percent for fund based and 61 percent for non-fund based. Acuité believes that the working capital requirements will continue to remain moderately intensive over the medium term.

- **Tender based nature of operations**

Company operates in a highly competitive industry due to the presence of many organized and unorganized players. The business of the company depends upon the number of tenders floated by the government and bid success rate of the company. SLRIPL's revenue and profitability are susceptible to risks inherent in contract based operations. Also, Tender based operations limit pricing flexibility in an intensely competitive industry.

### **Rating Sensitivities**

#### **Positive**

- Higher-than-expected Improvement in the scale of operations and profitability as envisaged
- Sustainable improvement in Leverage and Solvency position of the company.
- Sustainable improvement in Gross current assets (GCA) days.

#### **Negative**

- Any large debt-funded capital expenditure, which may adversely impact its capital structure and liquidity
- Any further deterioration in working capital management leading to deterioration in financials risk profile

### **Material covenants**

None

### **Liquidity Position: Adequate**

The company has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.8.34 Cr in FY2022 as against the repayment of Rs.1.05 Cr for the same period and expected to generate cash accruals in the range of Rs.10-14 Cr. against current portion of long term debt (CPLTD) of Rs.1- 1.12 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 36.60 Cr as on March 31, 2022. The current ratio of the company stood at 1.90 times as on March 31, 2022. Further, the average bank limit utilization in the last 12 months ended November, 2022 remained at ~ 61 percent for non-fund based and 60 percent for fund based limits. Acuité believes that SLRIPL's liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

### **Outlook: Stable**

Acuité believes that SLRIPL will continue to benefit over the medium term due to its experienced management and healthy order book providing revenue visibility. The outlook may be revised to 'Positive', in case of timely execution of its unexecuted order book leading to higher-than-expected revenues and profitability with improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case SLRIPL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management, leading to the deterioration of its financial risk profile and liquidity.

**Other Factors affecting Rating**

None

**Key Financials**

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	126.98	35.03
PAT	Rs. Cr.	7.96	2.29
PAT Margin	(%)	6.27	6.54
Total Debt/Tangible Net Worth	Times	0.32	0.42
PBDIT/Interest	Times	14.97	4.39

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

None

**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](http://www.acuite.in).

**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Jan 2020	Cash Credit	Long Term	1.40	ACUITE B+ (Withdrawn)
	Proposed Bank Guarantee	Short Term	10.10	ACUITE A4 (Withdrawn)
	Secured Overdraft	Long Term	2.00	ACUITE B+ (Withdrawn)
	Bank Guarantee	Short Term	1.50	ACUITE A4 (Withdrawn)
19 Jul 2019	Cash Credit	Long Term	1.40	ACUITE B+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	1.50	ACUITE A4 (Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	10.10	ACUITE A4 (Issuer not co-operating*)
	Dropline Overdraft	Long Term	2.00	ACUITE B+ (Issuer not co-operating*)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE A3   Assigned
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	13.80	ACUITE A3   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE BBB-   Stable   Assigned
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	62.70	ACUITE A3   Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB-   Stable   Assigned

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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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