

**Press Release**  
**SLR Infrastructure Private Limited**  
**March 15, 2024**  
**Rating Upgraded**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.50	ACUITE BBB   Stable   Upgraded	-
Bank Loan Ratings	93.50	-	ACUITE A3+   Upgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	105.00	-	-

**Rating Rationale**

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE Triple B**) from '**ACUITE BBB-** (read as **ACUITE Triple B 'minus'**) and short-term rating to '**ACUITE A3+**' (read as **ACUITE A three 'Plus'**) from '**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 upgrade:**

The rating upgrade takes into account significant improvement in scale of operations, improvement in the financial risk profile and liquidity along with healthy orderbook position. The revenues stood at Rs.228.63 Cr. in FY2023 with YOY growth of 80.05 percent as against Rs.126.98 Cr. in FY2022. The outstanding unexecuted orderbook of the company stood at Rs. 1044.96 Cr. as on December, 2023, which is to be executed over the medium term. Gearing improved to 0.24 times in FY2023 from 0.32 times in FY2022, Debt – EBTIDA to 0.50 times in FY2023 from 0.80 times in FY2022. The interest coverage ratio stood at 18.36 times in FY2023 as against 14.97 times in FY2022. Moderate improvement in the liquidity profile with increase in NCA to 15.60 Cr. in FY2023 from 8.34 Cr. in FY2022.

The rating also takes into account its experienced promoters, healthy order book position and healthy financial risk profile. SLRIPL currently has an outstanding order book value of Rs.1049.96 Cr which is to be executed in the next 24-36 months. These strengths are partially constrained by the working capital intensive nature of operations and 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.

**Unsupported Rating**

Not applicable



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

## Key Rating Drivers

### Strengths

- **Extensive experience of the management and healthy order book**

SLRIPL is promoted by Mr. Lakshma Reddy and Mr. Vijay Kumar Reddy have an experience of more than four and two 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. SLRIPL has an unexecuted order book of around Rs.1044.96 Cr. on December 31, 2023; to be executed over the next 24- 36 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**

The scale of operations of the company has been improving since last two years. The revenues stood at Rs.228.63 Cr. in FY2023 with YOY growth of 80.05 percent as against Rs.126.98 in FY2022. Profitability margin has been stable since last two years i.e. EBITDA margin stood at 9.45 percent in FY2023 as against 9.46 percent in FY2022 and also Net Profit margin stood stable in FY2023 as compared to FY2022 i.e, 6.53 percent in FY2023 and 6.27 percent in FY2022. As per the year to date (YTD) data till December 2023, the company has reported Rs.174.58 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.

- **Healthy financial risk profile**

The financial risk profile of the company is healthy with moderate net worth, low gearing and healthy debt protection metrics. The net worth of the company stood at Rs.45.13 Cr. and Rs.30.20 Cr. as on March 31, 2023 and 2022 respectively. Improvement in the net worth is on account of accretion of profit to reserves. The gearing of the company has been improving since last two years. It stood at 0.24 times as on March 31, 2023 as against 0.32 times as on March 31, 2022. SLR'S debt protection metrics is healthy– Interest coverage ratio and debt service coverage ratio stood at 18.36 times and 7.48 times as on March 31, 2023 respectively as against 14.97 times and 11.29 times as on March 31, 2022 respectively. TOL/TNW stood at 1.16times and 1.49 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the company stood at 0.50 times as on March 31, 2023 as against 0.80 times as on March 31, 2022. Acuite believes that the financial risk profile of the company is expected to remain healthy over the medium term on account of healthy cash accruals and no significant debt-funded capex plans.

### Weaknesses

- **Working capital intensive operations**

The working capital management of the company remained intensive GCA days at 133 days as on March 31, 2023 as against 194 days as on March 31, 2022. However, GCA improved in FY2023. Inventory days stood at 13 days as on March 31, 2023 as against 12 days as on March 31, 2022. The debtors day stood at 16 days as on March 31, 2023 as against 23 days as on March 31, 2022. Subsequently, the payable period stood at 92

days as on March 31, 2022 as against 329 days as on March 31, 2021 respectively. Further, the average bank limit utilization in the last twelve months ended Dec, 23 remained at ~12 percent for fund based and 50 percent for non- fund based.

- **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

### **Liquidity Position: Adequate**

The company has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.15.60 Cr in FY2023 as against the repayment of Rs.1.05 Cr for the same period and expected to generate cash accruals in the range of Rs.22-26 Cr. against CPLTD of Rs.1.67- 1.76 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 10.62 Cr as on March 31, 2023. The current ratio of the company stood at 1.98 times as on March 31, 2023. Acuité believes that SLR'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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	228.63	126.98
PAT	Rs. Cr.	14.94	7.96
PAT Margin	(%)	6.53	6.27
Total Debt/Tangible Net Worth	Times	0.24	0.32
PBDIT/Interest	Times	18.36	14.97

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

Not applicable

### 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
05 Jan 2023	Bank Guarantee (BLR)	Short Term	17.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	13.80	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	62.70	ACUITE A3 (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	3.50	ACUITE BBB-   Stable (Assigned)
	Proposed Cash Credit	Long Term	5.00	ACUITE BBB-   Stable (Assigned)

## 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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	45.00	ACUITE A3+   Upgraded ( from ACUITE A3 )
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	36.00	ACUITE A3+   Upgraded ( from ACUITE A3 )
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.50	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.50	ACUITE A3+   Upgraded ( from ACUITE A3 )
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )

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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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