



## Press Release

### Strongbuilt Constructions Private Limited

July 09, 2018

### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 35.00 Cr.
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4+

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.35.00 crore bank facilities of Strongbuilt Constructions Private Limited. The outlook is '**Stable**'.

Mumbai based Strongbuilt Constructions Private Limited (SCPL) was incorporated in 2011. The company promoted by Mr. Rashmeet Singh Kohli and Mr. Kevin Singh Kohli is engaged in undertaking EPC (engineering, procurement and construction) contracts for real estate industry.

### Key Rating Drivers

#### Strengths

##### • Experienced management

The promoters, Mr. Rashmeet Singh Kohli and Mr. Kevin Singh Kohli have more than decade of experience in construction industry through the sister concern, Skyway RMC Plants Private Limited. The promoters are backed by a team of experienced professionals from the construction industry. SCPL is currently executing projects for various reputed clientele in the real estate industry such as Hiranandani, Rustomjee, Ekta World among others. The company is currently having as unexecuted order book of ~Rs. 408.64 crore which gives the revenue visibility in the medium term. Acuite expects SCPL to continue to benefit from the promoters' ability to leverage their relationship with well-established clients.

##### • Moderate financial risk profile

SCPL has moderate financial risk profile marked by tangible net worth Rs.3.02 crore as on 31 March, 2017. The net worth improved to Rs.7.24 crore as on 31 March 2018 (Provisional). The gearing stood 0.88 times as on 31 March, 2017. The total debt of Rs. 2.66 crore mainly consists of term loans of Rs. 1.33 crore and working capital borrowings of Rs. 1.33 crore as on 31 March 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.95 times as on 31 March, 2017. Going forward, Acuite expects the company to maintain its financial risk profile despite further borrowing from banks.

#### Weaknesses

##### • Working capital intensive operations

SCPL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 141 days in FY2017 compared to 222 days in FY2016. The GCA days are mainly on account of high debtor days of 92 in FY2017. The average cash credit utilization for the past six months stood at ~95 percent. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

##### • Exposed to cyclicity in the construction and real estate industries

SCPL is engaged undertaking civil engineering and construction projects for various real estate

developers. Hence, it is exposed to cyclicity in the construction and real estate industries.

#### • **Competitive and fragmented industry**

SCPL is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. However, this risk is mitigated to an extent on account of extensive experience of the management.

#### **Analytical Approach**

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

#### **Outlook: Stable**

Acuite believes SCPL will maintain a stable business risk profile over the medium term on back experienced management and healthy order book position. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position

#### **About the Rated Entity - Key Financials**

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.64	4.36	2.20
EBITDA	Rs. Cr.	2.43	0.64	0.26
PAT	Rs. Cr.	1.57	0.39	0.18
EBITDA Margin	(%)	10.29	14.72	12.00
PAT Margin	(%)	6.65	8.93	7.99
ROCE	(%)	58.14	50.58	90.18
Total Debt/Tangible Net Worth	Times	0.88	1.85	1.18
PBDIT/Interest	Times	24.78	-	-
Total Debt/PBDIT	Times	1.09	1.87	1.15
Gross Current Assets (Days)	Days	141	222	166

#### **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-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

#### **Note on complexity levels of the rated instrument**

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

#### **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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB/Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A4+

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**About Acuité Ratings & Research:**

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