



Press Release
Strongbuilt Constructions Private Limited
October 30, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.50	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	37.50	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	40.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and its short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.40.00 crore bank facilities of Strongbuilt Constructions Private Limited (SCPL). The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating reaffirmation considers SCPL's stable operating and financial performance. The operating revenue stood at Rs.60.15 Cr in FY2023 against Rs.55.70 Cr in FY2022. The current order book position of Rs.130 Cr as of September 2023 is healthy exhibiting revenue visibility over the medium term. The financial risk profile of the company continues to remain moderate with a moderate net-worth, debt-protection metrics and healthy gearing levels. The rating, however, is constrained on account of intensive nature of working capital operations and susceptibility to cyclical in construction and real estate industry.

About the Company

Mumbai-based, Strongbuilt Constructions Private Limited (SCPL) was incorporated in 2011. The directors of the company are Mr. Rashmeet Singh Kohli, Mr. Kevin Singh Kohli and Mr. Jagpreet Singh Kohli and the company is engaged in undertaking EPC (engineering, procurement, and construction) contracts of constructing shell and core for real estate industry.

Unsupported Rating

None

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management

The promoters, Mr. Rashmeet Singh Kohli and Mr. Kevin Singh Kohli have more than a decade

of experience in the 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. Acuité expects SCPL to continue to benefit from the promoters' ability to leverage their relationship with well-established clients.

Stable Operating Performance

The company achieved an operating income of Rs.60.14 Cr in FY2023(Prov) as against Rs.55.70 Cr in FY2022. Company has recorded a steady increase in revenue since the moderation in FY2021 due to covid-19 pandemic. The operating margin of the company improved to 11.00 percent in FY2023(Prov) as against 10.13 percent in FY2022. The improvement in margins is mainly on account of the cost control mechanism adopted by the company leading to optimisation of costs. The PAT margin of the company increased and stood at 5.03 percent in FY2023(Prov) as against 3.30 percent in FY2022. The improvement in PAT margins is primarily due to lower interest costs. The company has an outstanding order book position of Rs.130 Cr as of September 2023 reflecting revenue visibility over the medium term. The company has recorded a revenue of Rs.26.43 Cr in 5MFY2024.

Acuite believes that the operating performance of the company will remain stable over the medium term.

Moderate Financial Risk Profile

The financial risk profile of the company stood moderate marked by moderate net worth, debt protection metrics and healthy gearing levels. The tangible net worth stood at Rs.20.21 Cr as on 31 March 2023 (Prov) as against Rs.17.16 Cr as on 31 March 2022. The increase in the net worth is due to the accretion of profits in reserves. The total debt of the company stood at Rs.12.19 Cr which includes Rs.2.78 Cr of long-term debt, Rs.6.98 Cr unsecured loans from directors and Rs.2.43 crore of short-term debt as on 31 March 2023(Prov). The gearing (debt-equity) improved and stood at 0.60 times as on 31 March 2023(Prov) as compared to 0.91 times as on 31 March 2022. ICR and DSCR improved on account of lower finance cost, improved profitability, and reduced dent-levels. Interest Coverage Ratio stood healthy at 5.54 times for FY2023(Prov) as against 2.70 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 2.57 times in FY2023(Prov) as against 1.69 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.42 times as on 31 March 2023(Prov) as against 1.66 times on 31 March 2022.

Acuité believes that the financial risk profile of the company will remain moderate with expected improvements over the medium term.

Weaknesses

Intensive nature of working capital operations

The working capital management of the company is intensive marked by GCA days of 210 days in FY2023(Prov) as against 199 days in FY2022. The GCA days are led by high inventory days which stood at 213 days in FY2023(Prov) against 197 days in FY2022. Inventory mainly includes raw materials and WIP. Raw materials majorly include the steel stock and cement blocks and WIP mainly includes slabs which are not yet completed or not yet verified. The debtor days stood at 12 days in FY2023(Prov) as against 18 days in FY2022. Company raises bills on monthly basis to its clients and receive payments in up-to 30 days of raising the bills. The creditor days stood at 120 days in FY2023(Prov) as against 116 days in FY2022. The company's reliance on fund based working capital borrowings is on a higher side marked by average utilization of ~88 percent during the last 12 months period ended September 2023 and low reliance on non-fund based limits at 23% during the same period.

Acuité believes that the operations of the company to remain working capital intensive in medium term on account of the high inventory levels maintained by the company.

Exposed to cyclicity in the construction and real estate industry.

SCPL derives its entire revenues by undertaking construction projects for various real estate developers, making it exposed to vagaries in the construction and real estate industries.

Acuité believes that any slowdown in the industry could have an impact on the revenues and profitability of the company.

Rating Sensitivities

Improvement in the scale of operations and the profitability margins

Deterioration in the working capital cycle

All Covenants

Not Applicable

Liquidity Position Adequate

The company has an adequate liquidity position marked by sufficient net cash accruals generation against its maturing debt obligations. The company generated cash accruals of Rs.4.23 Cr in FY2023(Prov) against maturing debt obligations of Rs.0.91Cr over the same period. The cash accruals of the company are estimated to remain around Rs 6.19 Cr during FY24 and FY25 against maturing debt-repayment obligation of Rs.1.67-1.11 Cr during the same period. The company's reliance on fund-based working capital borrowings is on a higher side marked by average utilization of ~88 percent during the last 12 months period ended September 2023 and low reliance on non-fund based limits at 23% during the same period. The company maintains unencumbered cash and bank balances of Rs.0.45 crore as on March 31, 2023(Prov), and the current ratio also stood moderate at 2.01 times as on March 31, 2022.

Outlook: Stable

Acuité believes that SCPL will maintain a 'Stable' business risk profile over the medium term on the back of experienced management and a healthy order book position. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while achieving sustained improvement in operating margins, maintaining capital structure and restricting significant elongations in working capital operations. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile or liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	60.14	55.70
PAT	Rs. Cr.	3.03	1.84
PAT Margin	(%)	5.03	3.30
Total Debt/Tangible Net Worth	Times	0.60	0.91
PBDIT/Interest	Times	5.54	2.70

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Aug 2022	Proposed Bank Facility	Short Term	15.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	17.50	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	2.50	ACUITE BB+ Stable (Upgraded from ACUITE BB)
	Proposed Bank Facility	Long Term	5.00	ACUITE BB+ Stable (Upgraded from ACUITE BB)
14 Feb 2022	Proposed Bank Facility	Short Term	0.03	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	5.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	14.97	ACUITE A4+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	17.50	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	2.50	ACUITE BB (Downgraded and Issuer not co-operating*)
02 Dec 2020	Cash Credit	Long Term	2.50	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Proposed Bank Facility	Short Term	0.03	ACUITE A4+ (Downgraded from ACUITE A3)
	Bank Guarantee	Short Term	17.50	ACUITE A4+ (Downgraded from ACUITE A3)
	Bank Guarantee	Short Term	14.97	ACUITE A4+ (Downgraded from ACUITE A3)
	Cash Credit	Long Term	5.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE A4+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A4+ Reaffirmed

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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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