

Press Release

S K M Buildcon

June 18, 2021



Rating Downgraded

Total Bank Facilities Rated*	Rs.11.70 Cr. (Enhanced from Rs.9.00 Cr.)
Long Term Rating	ACUITE D (Downgraded)

* Refer Annexure for details

Rating Rationale

Acuite has revised the long term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs.11.70 crore bank facilities of S K M Buildcon (SKM).

The downward revision in the rating factors in the unfavorable debt-servicing track record of the firm in the recent past, as confirmed by the lenders. The firm is yet to clear its overdues pertaining to COVID loan. The rating is also impacted by the short term challenges faced by the group to maintain stable liquidity profile and efficiently manage its working capital cycle.

The ratings continue to factor in high levels of working capital utilization, receivables stretched for more than six months, and increase in debt levels.

About the rated entity

Raipur based, SKM is a partnership firm established in 2005 by Mr. Suresh Kumar Mrigani and Mr. Ravi Mrigani. The firm is engaged in civil construction work for Raipur Development Authority, Nagar Nigam Birgaon, and Chhattisgarh Police Housing Board among others.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of SKM to arrive at the rating.

Key Rating Drivers

Strength

- Experienced management**

The partners of SKM, Mr. Suresh Kumar Mrigani and Mr. Ravi Mrigani have extensive experience of more than 15 years in the construction and infrastructure industry. Acuite believes that the firm will continue to benefit from its promoters' extensive industry experience.

Weakness

- Unfavorable debt-serving track record of the group**

The downward revision in the rating considers unfavorable debt-serving track record of the firm in the recent past, as confirmed by the lenders. The rating downgrade is based on recent interactions/feedback received from existing lender of firm, confirming overdue in interest payouts of cash credit facility and overdue in repayment of COVID-19 loans beyond the period allowed under the RBI guidelines as Covid relief measure. The firm has faced short term challenges to maintain stable liquidity profile amidst of second wave of pandemic resulting in higher working capital requirements and additional funds required to manage operations.

Rating Sensitivities

- Regularisation of overdue repayments, following improvement in liquidity profile of the firm
- Stretch in liquidity profile due to further elongation of already stretched receivables
- Further increase in debt level leading to deterioration of financial risk profile.

Material Covenants

None

Liquidity Position: Poor

The firm's liquidity profile is stretched marked by bank limit utilisations that have been more than 100 percent along with low net cash accruals. The firm has been delaying the interest payouts in the recent past and is yet to repay dues against COVID loans. The firm had also undergone restructuring during February 2021.

Outlook: NA

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	17.00	26.05
PAT	Rs. Cr.	0.50	0.70
PAT Margin	(%)	2.94	2.68
Total Debt/Tangible Net Worth	Times	2.39	7.47
PBDIT/Interest	Times	1.47	1.47

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 Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Nov-2020	Cash Credit	Long Term	3.00	ACUITE B+/Stable (Reaffirmed)
20-Dec-2019	Cash Credit	Long Term	9.00	ACUITE B+ (Indicative)
11-Oct-2018	Cash Credit	Long Term	9.00	ACUITE B+/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE D (Downgraded)
Term Loan	Not Available	Not Available	August 2024	2.70	ACUITE D (Downgraded)

Contacts

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About Acuité Ratings & Research:

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