

Press Release

B S Sathish Kumar

November 20, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 5.00 crore bank facilities of B S Sathish Kumar. The outlook is '**Stable**'.

BS Sathish Kumar (BSSK) was formed in the year of 1997 by Mr. BS Sathish Kumar. The firm is engaged in civil construction work for Public Works Department (PWD) of Karnataka government and Karnataka Rural Road Development Agency (KRRDA).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of BSSK to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The proprietor of MSSK, Mr. BS Sathish Kumar has more than two decades of experience in civil construction work. This experience has helped the firm in establishing healthy relationship with the customers.

Weaknesses

- **Average financial risk profile**

The average financial risk profile of the company is marked by low networth, moderate gearing and healthy debt protection metrics. The net worth of the company stood low at Rs.6.15 crore in FY2018 (Prov.) as compared to Rs.5.17 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood moderate at 1.54 times in FY2018 (Prov.) as compared to

1.72 times in FY2017. The total debt of Rs.9.46 crore consist of long term debt of Rs.0.46 crore, unsecured loan from promoters of Rs.5.00 crore and short term loan for bank of Rs.4.00 crore. The interest coverage ratio (ICR) of the company stood comfortable at 3.40 times in FY2018 (Prov.) as compared to 2.95 times in FY2017. The debt service coverage ratio (DSCR) of the company stood comfortable at 3.40 times in FY2018 (Prov.) as compared to 2.95 times in FY2017. The net cash accruals against the total debt stand at 0.11 times in FY2018 (Prov.) compared to 0.09 times in FY2017.

- **Working capital intensive nature of operation**

The firm's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 248 days in 2017-18 (Prov.), as compared to 319 days in 2016-17. These high GCA days emanate from collection period and high inventory days of 110 and 134 days in FY18 (Prov.). The company's operations are expected to remain capital intensive, as the company is engaged in construction business, which leads to a relatively high collection and inventory period due to nature of the construction business.

Outlook: Stable

Acuité believes the outlook on BSSK will remain stable over the medium term backed by its experienced management and healthy relations with its customer and suppliers. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while efficiently managing its working capital cycle and improving its financial risk profile. The outlook may be revised to 'Negative' in case of the company fails to achieve envisaged revenue and profitability and its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	20.21	15.34	16.97
EBITDA	Rs. Cr.	1.19	1.01	0.85
PAT	Rs. Cr.	0.80	0.59	0.35
EBITDA Margin	(%)	5.87	6.56	5.00
PAT Margin	(%)	3.96	3.82	2.04
ROCE	(%)	8.23	9.22	19.69
Total Debt/Tangible Net Worth	Times	1.54	1.72	0.93
PBDIT/Interest	Times	3.40	2.95	2.60
Total Debt/PBDIT	Times	6.63	7.39	3.55
Gross Current Assets (Days)	Days	248	319	197

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.ratings.in	

About Acuité Ratings & Research:

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