



Press Release
Sri Sai Lakshmi Constructions And Co
February 09, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	31.43	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	58.57	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	90.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B 'Plus'**) and reaffirmed its short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.90.00 Cr. bank facilities of Sri Sai Lakshmi Constructions And Co (SSLC). The outlook is '**Stable**'.

Rationale for reaffirmation:

The rating reaffirmation takes into consideration the long-standing experience of SSLC's promoters, its established track record of operations and stable operating income with stable EBITDA margins. The operating income of the firm stood at Rs. 114.40 Cr in FY2023 as against Rs.122.92 in FY2022. The operating margins stood stable at 8.76 percent in FY2023 as against 8.74 percent in FY2022. The financial risk profile of the firm is moderate with low-gearing levels and moderate debt protection metrics.. The overall gearing of the firm stood at 0.24 times as on March 31, 2023 as against 0.13 times as on March 31, 2022. The interest coverage ratio stood at 2.63 times in FY2023 as against 2.91 times in FY2022 and the DSCR stood at 1.68 times in FY2023 as against 2.91 times in FY2022. Further, the rating considers the strong unexecuted order book position which stood at Rs.1147.76 Cr as on November 30, 2023 this providing revenue visibility over the medium term.

The rating is however constrained due to working capital intensive operations,tender based nature of operations and presence in a competitive & fragmented industry.

About the Company

Incorporated in 1997, Sri Sai Lakshmi Constructions & Co (SSLC) is engaged in the business of civil construction and primarily undertakes irrigation works in Andhra Pradesh, Telangana, Uttar Pradesh and Odisha. The entity is promoted by Mr. K. Venkateswara Rao and G. Ratna Prakash along with 7 other partners. The entity undertakes irrigation projects for The Superintending Engineer, Water Resource Department, Government of Andhra Pradesh, SEW Infrastructure Limited, Megha Engineering & Infrastructures Ltd among others.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SSLC to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management; established track record of operations**

SSLC has been engaged in infrastructure development work for more than two decades with established track record in irrigation projects. It has executed several irrigation projects in the State of Andhra Pradesh, Telangana. Mr. K. Venkateswara Rao and Mr. G. Ratna Prakash, the Founder Promoters, are supported by well-qualified and experienced team of professionals to execute the projects. The company operates in the states of Andhra Pradesh, Telangana, Uttar Pradesh and Odisha; providing geographic diversification in its work execution. However, 90 percent of the revenues cater to orders from Andhra Pradesh. Acuité believes that SSLC's longstanding presence, healthy order book, geographically diversified revenue profile is expected to support in improvement of its business risk profile over the medium term.

- **Stable operating income supported by healthy order book position and Technical prowess**

SSLC has strong presence in irrigation projects over the past two decades in Andhra Pradesh and Telangana region. SSLC's revenues remained stable at around Rs.115 - 120 Cr over the past two years ended FY2023. The firm has an unexecuted order book position of Rs.1147.76 Cr as on November 30, 2023 which is 10 times of FY2023 revenue. This provides strong revenue visibility for the next 2-3 years of time. Out of the aforementioned order book, the firm is planning to execute Rs.300-320 Cr in next two years of time. Acuité believes that healthy order book, and well-funded projects are expected to support SSLC in reporting moderate growth in the operating revenues over the medium term.

- **Moderate Financial risk profile**

The financial risk profile of the firm has remained moderate with moderate capital structure and debt protection metrics. The net worth of the firm stood at Rs.116.18 Cr and Rs.85.29 Cr as on March 31, 2023 and 2022 respectively. The gearing of the firm stood at 0.24 times as on March 31, 2023 against 0.13 times as on March 31, 2022. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 2.63 times and 1.68 times as on March 31, 2023 respectively as against 2.91 times and 1.51 times as on March 31, 2022 respectively. TOL/TNW stood at 0.79 times and 0.68 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the firm stood at 2.41 times as on March 31, 2023 as against 0.92 times as on March 31, 2022. Acuité believes that the financial risk profile of the firm is expected to remain moderate over the medium term on account of moderate cash accruals and no significant debt-funded capex plans.

Weaknesses

- **Working capital intensive operations**

The working capital management of the firm remained intensive in nature with high GCA days at 535 days as on March 31, 2023 as against 314 days as on March 31, 2022. The GCA days are driven by high debtor days. Inventory days stood at 98 days as on March 31, 2023 as against 86 days as on March 31, 2022. Subsequently, the payable period stood at 218 days as on March 31, 2023 as against 164 days as on 31st March, 2022 respectively. The debtor day stood at 208 days as on March 31, 2023 as against 14 days as on March 31, 2022. Further, the average bank limit utilization in the last twelve months ended November 23 remained at ~88 percent for fund based and 85 percent for non-fund based facility.

- **Tender based nature of operations and Competitive & fragmented industry**

SSLC is into irrigation projects, wherein the sector is marked by the presence of several mid to large sized players. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts, and susceptibility to inherent cyclicalities in the infrastructure segment. Further, it is dependent on State Government's thrust on irrigation and other infrastructure works. Acuité believes that SSLC's revenues and margins are susceptible to the competitive bidding scenario, besides the geographical concentration of its projects to the States of Andhra Pradesh and Telangana.

Rating Sensitivities

- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity
- Lower-than-expected revenue or profitability leading to lower net cash accruals

Liquidity Position: Adequate

The firm has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.7.04 Cr in FY2023 as against the repayment of Rs.2.43 Cr for the same period and expected to generate cash accruals in the range of Rs.7.4-10.15 Cr. against CPLTD of Rs.1.34- 1.19 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 1.18 Cr as on March 31, 2023. However, the firm has working capital intensive operations with GCA days of 535 days in FY2023 against 495 days in FY2022. Further, the average bank limit utilization in the last twelve months ended November 23 remained at ~88 percent for fund based and 85 percent for non-fund based facility. The current ratio of the firm stood at 2.16 times as on March 31, 2023. Acuité believes that SSLC's liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

Outlook: Stable

Acuité believes that SSLC will maintain a 'Stable' outlook over the medium term backed by its experienced management and healthy revenue visibility backed by healthy order book position. The outlook may be revised to 'Positive' in case of higher than-expected growth in its revenues while maintaining its profitability margins and improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or any significant withdrawal of partner's capital leading to 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.	114.40	122.92
PAT	Rs. Cr.	4.35	4.98
PAT Margin	(%)	3.80	4.06
Total Debt/Tangible Net Worth	Times	0.24	0.13
PBDIT/Interest	Times	2.63	2.91

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
15 Nov 2022	Bank Guarantee	Short Term	16.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Cash Credit	Long Term	8.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Bank Guarantee	Short Term	27.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	28.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
20 Aug 2021	Cash Credit	Long Term	7.00	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB Stable (Reaffirmed)
	Bank Guarantee	Short Term	27.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	16.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	28.00	ACUITE A4+ (Reaffirmed)
04 Jun 2021	Cash Credit	Long Term	7.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	28.00	ACUITE A4+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	27.00	ACUITE A4+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	16.00	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	4.00	ACUITE BB (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	37.00	ACUITE A4+ Reaffirmed
Axis Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.15	ACUITE A4+ Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.42	ACUITE A4+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.43	ACUITE BB+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 moparthy.anuradha@acuite.in	

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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