



**Press Release**  
**SRI SAI LAKSHMI CONSTRUCTIONS AND CO**  
**May 09, 2025**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BB+   Stable   Reaffirmed	-
Bank Loan Ratings	70.00	-	ACUITE A4+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	90.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuité has reaffirmed its long-term rating of ‘**ACUITE BB+**’ (read as **ACUITE double B Plusa**) 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 rating:**

The rating reaffirmation takes into account healthy order book of Rs.1,549.44 Cr. as on 31st March, 2025 (8.45 times of FY25(Prov.) revenue) which provides sound revenue visibility over the medium term with stable operating margins. Additionally, the rating derives its strengths from moderate financial risk profile and improvement in the debtor receivables in FY25, however, remains constrained by the intensive working capital operations due to high retention receivables causing high utilisation of the working capital limits. Going ahead, the ability of the firm to scale up its operations backed by timely execution of its order book while maintaining its profitability margins will continue to remain a key rating monitorable.

**About the Company**

Incorporated in 1997, Sri Sai Lakshmi Constructions and Co (SSLC) is a partnership firm engaged in the business of civil construction and primarily undertakes irrigation works in Andhra Pradesh (AP), Telangana. The entity is promoted by Mr. K. Venkateswara Rao and Mr. G. Ratna Prakash along with 7 other partners.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

**Established track record of operations supported by experienced management**

SSLC has been engaged in infrastructure development work for more than two decades with an established track record in irrigation projects in the state of Andhra Pradesh & Telangana. The entity undertakes work orders for The Superintending Engineer, Water Resource Department, Government of Andhra Pradesh and other players like SEW

Infrastructure Limited, Megha Engineering & Infrastructures Ltd, etc. Also, Mr. K. Venkateswara Rao and Mr. G. Ratna Prakash, the founding promoters, are supported by well-qualified and experienced team of professionals to execute the projects.

**Healthy order book position**

While the revenue of the firm has grown at a stable pace with Rs.130.95 Cr. in FY25(Prov.) as against Rs.120.80 Cr. in FY24 (Rs.114.40 Cr. in FY23) owing to delay in project executions on account of lag in fund releasing by

the government, however, the current order book of Rs.1,549.44 Cr. as on March 31, 2025 (8.45 times of FY25(Prov.) revenue) highlights healthy revenue visibility over the medium term.

The EBITDA margin of the firm stood improved at 8.68% in FY25(Prov.) as against 7.21% in FY24. The EBITDA margin is however, susceptible to the raw material procurement made during the year depending upon the stage of ongoing work order, which might lead to increase in the input costs. Going ahead, the EBITDA margin is expected to be in the range of ~8.50-9.00%.

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 stood moderate marked by moderate net worth, low gearing and healthy debt protection metrics. The tangible net worth stood at Rs.127.24 Cr. as on 31st March 2025(Prov.) as against Rs.122.75 Cr. as on 31st March, 2024 including quasi equity of Rs.10 Cr. The gearing (debt-equity) has remained below unity over the years. Moreover, owing to moderate improvement in the working capital cycle in FY25, the firm reduced its short term borrowings by Rs.8.00 Cr. which led to an improvement in the Debt-EBITDA to 1.39 times in FY25(Prov.) as against 1.92 times in FY24.

### **Weaknesses**

#### **Working capital intensive operations**

The working capital operations of SSLC though have improved, but remain intensive, marked by its Gross Current Assets (GCA) of 416 days for FY25(Prov.) as against 546 days for FY24. This is mainly driven by high retention money from the government (Rs.49.73 Cr. as on 31st March, 2025) and increase in inventory days. Further, in FY25 debtor cycle has improved with nearly Rs.12.34 Cr. of debtor's receivable within 90 days as on March 31, 2025 as against Rs. 25.18 Cr. as on March 31, 2024. The inventory days stood at 88 days in FY25(Prov.) against 36 days in FY24. Further, creditors cycle stood at 20 days in FY25(Prov.) as against 38 days in FY24. Therefore, the fund-based working capital limits were highly utilised at an average of ~97% for the last 12 months ending March, 2025 and the non-fund based limits are utilised at an average of ~79% during the same period.

Acuité believes the working capital is expected to remain intensive over the medium term considering the nature of business.

#### **Tender based nature of operations, 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 there exists susceptibility to inherent cyclicity in the infrastructure segment. Further, project announcements is dependent on State Government's thrust on irrigation and other infrastructure works.

Therefore, Acuité believes that SSLC's revenues and margins are susceptible to the competitive bidding scenario, along with the geographical concentration of its projects to the states of Andhra Pradesh and Telangana.

#### **Inherent risk of withdrawal of partner's capital**

The firm is susceptible to the inherent risk of capital withdrawal given its constitution. Any significant withdrawal of the partner's capital will have a negative bearing on the financial risk profile of the firm.

### **Rating Sensitivities**

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

### **Liquidity Position**

#### **Adequate**

The firm's liquidity position is adequate marked by generation of sufficient net cash accruals of Rs. 10.50 Cr. in FY25 against its maturing debt obligations of Rs 0.62 Cr. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.12-14 Cr. against the maturing repayment obligations in the range of Rs.0.23 Cr. over the medium term. However, the reliance on working capital is high as evident by the bank limit utilization. The average bank limit utilization for fund-based limits stood at ~ 97 percent for the last 12 months ended March, 2025; and the non-fund based limits stands utilized at 79% during the same period. Moreover, the materialisation of proposed enhancement in fund-based limits by Rs.5.00 Cr. and non-fund based limit by Rs.20.00 Cr. is expected to provide additional flexibility to the firm.

The firm maintains unencumbered cash and bank balances of Rs.0.71 Cr. as on 31st March, 2025 (Prov.). The current ratio stood at 3.77 times as on 31st March, 2025(Prov.) as against 2.38 times as on 31st March, 2024. Acuité believes that SSLC's liquidity will remain sufficient over the medium term backed by no significant debt obligations.

### **Outlook: Stable**

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	130.95	120.80
PAT	Rs. Cr.	8.50	7.83
PAT Margin	(%)	6.49	6.48
Total Debt/Tangible Net Worth	Times	0.14	0.21
PBDIT/Interest	Times	6.01	3.89

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

Not Applicable

**Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)**

**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, Acuité 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Feb 2024	Bank Guarantee/Letter of Guarantee	Short Term	37.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	8.15	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	13.42	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BB+   Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB+   Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	13.43	ACUITE BB+   Stable (Reaffirmed)
15 Nov 2022	Bank Guarantee/Letter of Guarantee	Short Term	16.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	28.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	27.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Cash Credit	Long Term	7.00	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Cash Credit	Long Term	8.00	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	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.	39.00	Simple	ACUITE A4+   Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	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.	31.00	Simple	ACUITE A4+   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BB+   Stable   Reaffirmed

## Contacts

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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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