

Press Release

Sri Sai Charan Constructions

February 06, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite 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**) to the Rs. 8.00 crore bank facilities of Sri Sai Charan Constructions (SSCC). The outlook is '**Stable**'.

Established in 2009, SSCC is a Bangalore based proprietorship concern engaged in civil constructions business such as constructions of roads and drains in and around Bangalore (Karnataka). The firm mostly undertakes tender based contract for Bangalore Mahanagar Palika (the administrative body responsible for civic amenities and infrastructural assets development of Greater Bangalore metropolitan area). The firm is managed by Mr. G Chandrashekar who looks after the day to day operation of the firm.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The Proprietor, Mr. G Chandrashekar has nearly a decade of operating experience in the civil construction business.

Weaknesses

- **Modest scale of operation**

The scale of operation is modest with revenue of Rs.42.61 crore in FY 2018 (Provisional) as compare to Rs.30.35 crore in FY 2017.

- **Moderate financial risk profile**

The moderate financial risk profile of the firm is marked by its low net worth base, modest gearing, and comfortable debt protection metrics. The net worth is low at Rs.3.01 crore as on 31 March, 2018 (Provisional) as compare to Rs.2.19 crore in the previous year. The debt to equity ratio of the firm stood at 1.20 times on 31 March, 2018 (Provisional) compared to 3.46 times on 31 March, 2017. The firm reported a comfortable interest coverage ratio of 2.98 times in FY2018 (Provisional) as against 3.46 times in FY2017.

- **Exposure to geographic and client concentration risks**

The firm is exposed to geographic and client concentration risks, as majority of the projects are located in and around Bangalore and are awarded by local government bodies. The firm's revenues are highly dependent on number and value of tenders floated by these bodies. Moreover, any delays in the project execution of current projects along with the delayed receipt from government and site related issues are likely to result in higher working capital requirements.

Liquidity Position:

SSCC has moderate liquidity profile marked by net cash accruals in the range of Rs.0.54 crore to Rs.0.96

crore (FY 2016-2018) against its nil debt obligations. The entity has prudent working capital cycle marked by gross current asset (GCA) days of 16 in FY 2018. The fund based working capital limit remains utilised at comfortable level of 60 percent during the 5 months period ended November 2018.

Outlook: Stable

Acuite believes that SSCC will maintain a 'Stable' outlook on the back of the management's experience in the civil construction business. The outlook may be revised to 'Positive' in case of sustained increase in revenues and profit margins while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	42.61	30.35	14.99
EBITDA	Rs. Cr.	1.76	1.31	0.82
PAT	Rs. Cr.	0.88	0.66	0.48
EBITDA Margin	(%)	4.13	4.32	5.47
PAT Margin	(%)	2.07	2.18	3.23
ROCE	(%)	23.62	15.52	24.00
Total Debt/Tangible Net Worth	Times	1.20	3.46	2.62
PBDIT/Interest	Times	2.98	5.29	4.04
Total Debt/PBDIT	Times	1.80	5.78	4.50
Gross Current Assets (Days)	Days	16	29	24

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
Overdraft	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4

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About Acuité Ratings & Research:

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