



Press Release
Sourabh Kumar Roy
October 09, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.29	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	12.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	29.29	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minusa**) and short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.29.29 Cr. bank facilities of Sourabh Kumar Roy (SKR). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating reaffirmation reflects SKR's consistent growth recorded in the operating income and above average financial risk profile. The operating income stood at Rs.70.17 Cr. in FY2023 as against Rs.57.08 Cr in FY2022. The financial risk profile continues to remain above average with low gearing levels and above average debt protection metrics. The overall gearing of the firm stood at 0.59 times as on March 31, 2023 as against 0.63 times as on March 31, 2022. The Interest Coverage Ratio (ICR) stood at 4.30 times in FY2023 as against 4.19 times in FY2022. Further, the rating continues to derive strength from the experienced management and moderate order book position of Rs.173.99 Cr. as on October 31, 2023.

The rating, however is constrained on account of working capital intensive operations and exposure to risks pertaining to tender based nature of operations. Going forward, ability of the firm to improve its scale of operations while maintaining its profitability margins and capital structure and restricting further elongation in its working capital cycle will remain a key rating monitorable.

About the Company

Established in 2007, Sourabh Kumar Roy is a West Bengal based partnership firm engaged in road and bridge construction in southern districts of West Bengal. The firm undertakes tender based contract from the Public Works Department (PWD) of West Bengal government where it is registered as a 1st class civil contractor. The firm was promoted by Mr. Sourabh Kumar Roy and Mrs. Sangita Roy.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Sourabh Kumar Roy (SKR) to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management

Established in 2007, Sourabh Kumar Roy (SKR) is a first class civil contractor, has established presence in executing projects related to primarily roads, irrigations and bridge construction in the district of Burdwan, West Midnapore, East Midnapore, Purulia and Bankura. Mr. Sourabh Kumar Roy - Managing partner of the SKR has decade of experience in the line of civil construction. The firm undertakes tender based contract from the PWD

department of West Bengal government.

Acuité believes that the promoters' experienced management will aid SKR's business risk profile over the medium term.

Improving scale of operations supported by moderate order book.

The operating income of SKR has been improving YOY and stood at Rs.70.17 Cr. in FY2023 as against Rs.57.08 Cr. in FY2022 registering a growth of 22.93% in FY2023. However, the operating margins moderated in FY2023 and stood at 7.72 percent as against 9.79 percent in FY2022. The company has an unexecuted order book position of Rs.173.99 Cr. as on October 31, 2023 which estimated to be completed over the next 24-36 months thus providing medium-term revenue visibility. The outstanding order book is 2.48x of the FY2023 revenue levels.

Acuité believes that improving scale of operations and moderate order book position will aid SKR's business risk profile over the medium term.

Above -average financial risk profile.

The financial risk profile of the firm has remained above average with improving net worth, low gearing and above average debt - protection metrics. The net worth of the firm stood at Rs.21.73 Cr. and Rs.18.05 Cr. as on March 31, 2023 and March 31, 2022 respectively. The total debt of Rs.12.91 crore as on March 31, 2023 consists of long term debt of Rs.2.39 crore, working capital borrowings of Rs.6.49 crore, USL from directors/promoters is Rs.2.26 crore and maturing portion of long term borrowings Rs.1.78 crore. The firms gearing stood low at 0.59 times as on March 31, 2023 as against 0.63 times in the March 31 2022. TOL/TNW stood at 1.60 times in FY2023. The Debt to EBITDA of the firm stood at 2.22 times as on March 31, 2023 as against 2.00 times as on March 31, 2022.

The debt protection metrics stood above -average with Interest Coverage Ratio (ICR) at 4.30 times in FY2023 as against 4.19 times in the previous year 2022 and 3.91 times in FY2021. The DSCR stood at 1.65 times in FY2023 as against 1.93 times in FY2022. NCA/TD stood at 0.35 times in FY2023.

Acuité expects the financial risk profile to remain above-average over the medium to long term on account of stable operations of the company.

Weaknesses

Working capital intensive operations

The working capital operations of the firm has improved, however remained high with GCA days of 213 days as on March 31, 2023 as against 238 days as on March 31, 2022. The high GCA days are mainly on account higher WIP inventories and increased loans and advances to suppliers. Inventory days stood at 85 days as on March 31, 2023 as against 104 days as on March 31, 2022. Subsequently, the debtor's period stood at 2 days as on March 31, 2023 as against 30 days as on March 31, 2022. The payable days are high and stood at 238 days as on March 31, 2023 as against 288 days as on March 31, 2022. Further, the average bank limit utilization in the last the last six months ended October 2023 remained high at ~98.60 percent for the fund based facilities.

Acuité believes that the firm's working capital operations will remain intensive in nature owing its nature of operations.

Susceptibility to tender-based operations

Revenue and profitability depend entirely on the ability to win tenders. Entities in this segment face intense competition, thus requiring them to bid aggressively to procure contracts; this restricts the operating margin to a moderate level. Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical. Acuité believes that the company's business profile and financial profile can be adversely impacted on account of presence of stiff competition, and has inherent risk of susceptibility to tender based operations.

Rating Sensitivities

- Timely execution of its order book leading to substantial improvement in scale of operations while maintaining profitability margins over the medium term.
- Any deterioration in working capital cycle and liquidity profile of the firm.

Liquidity Position: Adequate

The firm has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.4.47 Cr. in FY2023 as against the repayment of Rs.2.18 Cr. for the same period and is expected to generate cash accruals in the range of Rs.4.50-5.54 Cr. in FY2024-FY2025 against CPLTD of Rs.1.78-2.76 Cr. over the same time period. Unencumbered cash and bank balances stood at Rs.0.64 Cr. as on March 31, 2023. The current ratio of the firm stood at 1.73 times as on 31 March, 2023.

Acuité believes that SKR's liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

Outlook: Stable

Acuité believes that SKR will maintain a 'Stable' outlook over the medium term due to experienced management,

improving scale of operations and above -average financial risk profile. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in operating margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than expected revenues and profit margins, leading to deterioration in financial risk profile or further deterioration in working capital.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	70.17	57.08
PAT	Rs. Cr.	3.75	3.50
PAT Margin	(%)	5.34	6.14
Total Debt/Tangible Net Worth	Times	0.59	0.63
PBDIT/Interest	Times	4.30	4.19

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
02 Feb 2024	Cash Credit	Long Term	5.00	ACUITE BB- Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	4.00	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	4.80	ACUITE BB- Stable (Upgraded from ACUITE B+)
	Term Loan	Long Term	2.20	ACUITE BB- Stable (Assigned)
	Covid Emergency Line.	Long Term	0.60	ACUITE BB- Stable (Assigned)
	Covid Emergency Line.	Long Term	0.69	ACUITE BB- Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	2.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A4+ (Assigned)
10 Nov 2022	Cash Credit	Long Term	5.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	4.80	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
18 Aug 2021	Bank Guarantee (BLR)	Short Term	2.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	4.80	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	5.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE A4+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.00	Simple	ACUITE BB- Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 May 2024	0.60	Simple	ACUITE BB- Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2026	0.69	Simple	ACUITE BB- Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Feb 2030	7.00	Simple	ACUITE BB- Stable Reaffirmed

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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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