



## Press Release

### Swastik Infra Logic India Private Limited

April 09, 2019

#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 100.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A3

\* Refer Annexure for details

#### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 100.00 crore bank facilities of SWASTIK INFRA LOGIC INDIA PRIVATE LIMITED (SIPL). The outlook is '**Stable**'.

SIPL, based at Vashi (Navi Mumbai), was established as a proprietorship firm in 2003 by Mr. Srikanth Raju and later in 2009, the constitution was changed to private limited. SIPL is a registered Class-I A contractor with Maharashtra PWD, Karnataka PWD, MJP, KDMC and CIDCO and is engaged in the business of infrastructural development for government and private organisations. SIPL is also engaged in manufacturing and supplying of aggregates and concrete since 2009.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

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

SIPL was established in 2003 by Mr. Srikanth Raju and Mr. R Chandrashekar Raju. Both the Directors have more than two decades of experience in infrastructure industry and more than a decade of experience in trading and manufacture of RMC and aggregates. The experience of the promoters has helped SIPL in establishing healthy relationships with government authorities which is visible by healthy order book position of Rs.271.37 crore as on February 2019.

- **Healthy financial risk profile**

The financial risk profile of SIPL is healthy marked by moderate net worth, healthy debt protection measures and coverage indicators. The net worth stood at Rs.50.89 crore as on 31 March, 2018 as against Rs.36.53 crore as on 31 March, 2017. The gearing has improved to 0.76 times as on 31 March, 2018 as compared to 1.33 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood healthy at 2.43 times as on 31 March, 2018 as against 3.07 times as on 31 March, 2017. The coverage indicators of SIPL are healthy marked by Interest Coverage Ratio (ICR) which has improved to 5.34 times in FY2018 as compared to 4.49 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.61 times as on 31 March, 2018 as against 0.31 times as on 31 March, 2017. Acuite believes that the financial risk profile of SIPL will continue to remain moderate over the medium term on account of its growing scale of operations and moderately conservative leverage policy.

- **Long association with government agencies**

SIPL has executed projects for government bodies such as CIDCO, PWD and Navi Mumbai Municipal Corporation in Navi Mumbai and for PWD of state of Karnataka. Since all these are government entities, counter-party default risk remains minimal. Although, risk associated with delayed payment exist but due to good liasoning, promoters' extensive experience and timely execution of projects, SIPL has been able to establish long-standing relationship with these clients.

## Weaknesses

- **Moderate working capital nature of business**

SIPL operates in a moderate working capital nature of business marked by Gross Current Asset (GCA) of 140 days for FY2018 as against 138 days for FY2017. The inventory (WIP) days have come to 4 days in FY2018 as against 15 days in the previous year. Due to completion of projects, the debtors remained at 66 days for FY2018 as against 58 days in the previous year. However, the average bank limit utilisation stood at ~82 per cent for the last three months ended December 2018.

- **Tender based nature of business resulting in highly competitive industry**

SIPL operates in highly competitive industry due to presence of many organised and unorganised players. The business of SIPL depends upon the number of tenders floated by the government and their bid success rate. Further, SIPL's performance is susceptible to cyclicity in construction/infrastructure segment. However, this risk is moderated due to diversification of business in to trading and manufacture of RMC and Aggregates which accounts for 45 percent of the total revenue.

### Liquidity Position:

SIPL has moderate liquidity marked by healthy net cash accruals to its maturing debt obligations. SIPL generated cash accruals of Rs.10.35-23.82 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.0.91-13.99 crore over the same period. The cash accruals of SIPL are estimated to remain around Rs.29-35 crore during 2019-21, while its repayment obligations are estimated to be around Rs.7.40-10.57 crore. SIPL maintained unencumbered cash and bank balances of Rs.1.59 crore as on March 31, 2018. The current ratio of SIPL stood at 1.00 times as on March 31, 2018. Acuite believes that the liquidity of SIPL is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

### Outlook: Stable

Acuite believes that SIPL's outlook will remain 'Stable' over the medium term owing to the company's experienced management and growing scale of operations. The outlook may be revised to 'Positive' in case the company continues to generate healthy cash flows through successful execution of projects while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profitability margins, stretched working capital cycle, or any large debt-funded capital expenditure, resulting in deterioration in the financial risk profile.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	275.37	201.12	155.86
EBITDA	Rs. Cr.	33.90	22.26	15.93
PAT	Rs. Cr.	14.37	9.90	5.59
EBITDA Margin	(%)	12.31	11.07	10.22
PAT Margin	(%)	5.22	4.92	3.59
ROCE	(%)	28.54	26.27	45.45
Total Debt/Tangible Net Worth	Times	0.76	1.33	0.93
PBDIT/Interest	Times	5.34	4.49	5.14
Total Debt/PBDIT	Times	1.12	2.11	1.50
Gross Current Assets (Days)	Days	140	138	149

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

Not applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB- / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB- / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3
Proposed	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3

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