

Press Release

Swastik Infra Logic India Private Limited

August 17, 2020



Rating Upgraded

Total Bank Facilities Rated*	Rs. 120.00 Cr. (Enhanced From Rs. 100.00 Cr.)
Long Term Rating	ACUITE BBB/ Outlook: Stable (Upgraded from ACUITE BBB-/Stable)
Short Term Rating	ACUITE A3+ (Upgraded from ACUITE A3)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BBB**' (**read as ACUITE triple B**) from '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating to '**ACUITE A3+**' (**read as ACUITE A three plus**) from '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 120.00 crore bank facilities of Swastik Infra Logic (India) Private Limited (SILPL). The outlook is '**Stable**'.

The upgrade takes into account the improvement in the business and financial risk profile of SILPL. The company achieved revenue of Rs. 448.34 crore in FY2019 as against Rs. 275.37 crore in FY2018; a growth of 62.81 per cent. The company has reported revenue of ~Rs. 539.10 crore from for FY2020 (Provisional). The order book position stands at Rs. 903.00 crore as on July, 2020. The operating margins stood at 13.38 per cent in FY2020 (Provisional), 14.87 per cent in FY2019 and 12.31 per cent in FY2018. Debt to EBITDA stood at 0.85 times in FY2019 against 1.25 times in the previous year. The gearing stood at 0.66 times as on March 31, 2020 (Provisional), 0.65 times as on March 31, 2019 and 0.76 times as on 31 March 2018. ICR improved to 8.80 times in FY2019 against 5.34 times in FY2018. Acuité believes that the company will be able to sustain the business risk profile over the medium term on account of a comfortable order book position.

SILPL, 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. SILPL 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 organizations. SILPL is also engaged in manufacturing and supplying of aggregates and concrete since 2009.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

SILPL was established in 2003 by Mr. Srikanth Raju and Mr. R Chandrashekhar Raju. Both the directors are having more than two decades of experience in managing construction companies and more than a decade of experience in trading and manufacture of RMC and aggregates. The experience of the promoters has helped SILPL in establishing a market position throughout the years.

Acuité believes that the company will continue to benefit from the experience of the management and established track record over the medium term.

• Healthy financial risk profile

The financial risk profile of SILPL is healthy marked by moderate net worth, healthy debt protection measures and low gearing. The net worth stood at Rs. 123.82 crore as on March 31, 2020 (Provisional),

Rs. 88.78 crore as on 31 March, 2019 and Rs. 50.89 crore as on 31 March, 2018. The gearing stood at 0.66 times as on March 31, 2020 (Provisional), 0.65 times as on March 31, 2019 and 0.76 times as on 31 March 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood healthy at 1.97 times as on 31 March, 2019 as against 2.43 times as on 31 March, 2018. Interest Coverage Ratio (ICR) has improved to 8.30 times in FY2019 as compared to 5.34 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.89 times as on 31 March, 2019 as against 0.61 times as on 31 March, 2018. Acuité believes that the financial risk profile of SILPL 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**

SILPL 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. Currently, they also have an ongoing order from NHAI. The outstanding order book as on July 2020 stands at Rs. 903.00 crore. Since all these are government entities, counter-party default risk remains minimal. Although, the risk associated with delayed payment exist due to good liaisoning, promoter's extensive experience and timely execution of projects, SILPL has been able to maintain a comfortable receivable position.

Weaknesses

- **Moderately Working capital intensive operations**

The company's operations are moderately working capital intensive marked by Gross Current Assets (GCA) of 127 days for FY2019 and FY2018. This primarily on account of the retention money and deposits the client has to maintain with its customers. Receivable period improved to 56 days for FY2019 as against 66 days for FY2018. However, the average bank limit utilization stood at ~50 per cent for the last six months ended in June 2020.

- **Highly competitive tender based nature of operations**

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

Liquidity Position: Adequate

The company generated cash accruals of Rs. 51.25 crore for FY2019 while its maturing debt obligations were Rs. 12.06 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 50.00 crore to Rs. 65.00 crore during 2020-22 against repayment obligations in the range of Rs. 16.00 crore to Rs. 30.00 crore. The company's operations are working capital intensive marked by Gross Current Asset (GCA) days of 127 days for FY2019. The current ratio stands at 1.45 times as on 31 March 2019. The liquidity position remains adequate for SILPL on account of its comfortable cash accruals to maturing debt obligation slightly restrained by working capital intensive nature of operations.

Rating Sensitivities

- A sustained improvement in the scale of operations while maintaining profitability will be a key rating sensitivity.
- Stretched working capital cycle and liquidity will be key monitorable.

Material Covenants

None

Outlook: Stable

Acuité believes SILPL's outlook will remain stable over the medium term owing to the company's experienced management and consistent improvement in operational risk profile. The outlook may be revised to 'Positive' in case the company continues to generate healthy cash flows through the successful execution of large projects while maintaining working capital management. Conversely, the outlook will be revised to 'Negative' in case of delays in project execution or deterioration in the financial

profile on account of fall in profitability or stretch in liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	448.34	275.37
Profit after Tax (PAT)	Rs. Cr.	37.58	14.37
PAT Margin	(%)	8.38	5.22
Total Debt/Tangible Net Worth	Times	0.65	0.76
Total Debt/PBDIT	Times	8.30	5.34

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

India Ratings vide its press release dated 20 May, 2019 had denoted the rating of SILPL as 'IND B+/IND A4; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'IND B+/Stable/IND A4' vide its press release dated May 29, 2018.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities – <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore.)	Ratings/Outlook
09-Apr-2019	Cash Credit	Long Term	9.00	ACUITE BBB-/Stable (Assigned)
	Bill Discounting	Short Term	5.00	ACUITE A3 (Assigned)
	Overdraft	Long Term	2.00	ACUITE BBB-/Stable (Assigned)
	Proposed Bank Facility	Long Term	9.00	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Short Term	30.00	ACUITE A3 (Assigned)

*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	14.00 (Enhanced from 9.00)	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)

Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ (Upgraded from ACUITE A3)
Overdraft	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.10	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	22.00 (Enhanced from 14.00)	ACUITE A3+ (Upgraded from ACUITE A3)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3+ (Upgraded from ACUITE A3)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE A3+ (Upgraded from ACUITE A3)

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About Acuité Ratings & Research:

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