

Press Release

Swadeshi Civil Infrastructure Private Limited

August 08, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 100.00 Cr.
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 100.00 crore bank facilities of SWADESHI CIVIL INFRASTRUCTURE PRIVATE LIMITED (SCPL).

Delhi-based, SCPL was incorporated in 2008 by Mr. Ramavtar Goel and Mr. Ankit Goel. The company is engaged in civil construction for government entities including PWD (Public Works Department), CPWD (Central Public Works Department) and HSCC Limited (Hospital Service Consultancy Corporation Limited) to name a few.

Analytical Approach

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

Key Rating Drivers

Strengths

• Established track record of operation and experience management:

SCPL was established in 1977 as a proprietorship firm in the business of civil construction by Mr. Ramavtar Goel. In 2008, SCPL was incorporated as a private limited company by Mr. Ramavtar Goel and Mr. Ankit Goel. The promoters have an experience of over four decades in the construction business. The vast experience of the management has resulted in healthy order book position of Rs.575.75 crore as on FY2019 (Provisional), thereby giving healthy revenue visibility for near to medium term.

• Long association with government agencies:

SCPL has been associated with government bodies for over a decade. The company has been executing projects for PWD (public works department), HSCC limited (Hospital Services Consultancy Corporation Limited), RITES limited, CPWD (central public works department) to name a few. The company has been able to establish long-standing relationship with its client owing to extensive experience of the promoters and timely execution of the project.

• Moderate working capital management

SCPL has moderate working capital operations marked by moderate debtor days stood at 55 days in FY2019 (Provisional) as against 36 day in FY2018. As a result, the average utilisation of bank limits stood at ~73 per cent for the last six months ending May 2019. Acuite believes that the working capital requirements will continue to remain moderate over the medium term on account of timely payment from the customers and to the suppliers.

Weaknesses

• Competitive and fragmented industry:

The company is engaged in civil construction. The particular sector is marked by the presence of several mid to big size players. The company faces competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to some extent as the management has been operating in this environment for more than a decade.

• **Tender based nature of business:**

The company deals with government organisations and quotes for the contracts on tender basis. Going forward, the company's ability to successfully bid for greater number of large orders remains to be seen. However, the promoters experience and relationship mitigates this factor to an extent.

Outlook: Stable

Acuite believes that SCPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management and healthy order position. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

Liquidity position

The company has strong liquidity marked by high net cash accruals to its debt maturity obligations. The company generated cash accruals of Rs.17.34 crore during FY2019 (provisional) against the debt maturity obligation of Rs. 0.69 crore for the same period. The cash accruals of the company are estimated to increase from Rs. 25.86 crore in FY2020 to Rs.28.47 crore in FY2022, while there is no significant debt maturity obligation for the same period. The company maintains cash and bank balances of Rs.2.55 crore as on March 31, 2019 (Provisional). The current ratio of the company at 1.36 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the company is likely to remain strong over the medium term on account of high net cash accrual to its maturing debt obligation.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	256.90	295.67	216.68
EBITDA	Rs. Cr.	21.16	28.62	22.90
PAT	Rs. Cr.	14.79	18.96	14.80
EBITDA Margin	(%)	8.24	9.68	10.57
PAT Margin	(%)	5.76	6.41	6.83
ROCE	(%)	19.06	34.79	35.50
Total Debt/Tangible Net Worth	Times	0.25	0.18	0.29
PBDIT/Interest	Times	14.28	16.62	16.55
Total Debt/PBDIT	Times	1.07	0.49	0.63
Gross Current Assets (Days)	Days	177	118	114

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
Bank guarantee I	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A3 (Assigned)
Bank guarantee II	Not Applicable	Not Applicable	Not Applicable	38.00	ACUITE A3 (Assigned)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE A3 (Assigned)

Contacts

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About Acuité Ratings & Research:

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