

## Press Release

### Swadeshi Civil Infrastructure Private Limited

February 14, 2020



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 120.00 Cr. (Enhanced from Rs.100.00 crore)
<b>Short Term Rating</b>	ACUITE A3 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 120.00 crore bank facilities of Swadeshi Civil Infrastructure Private Limited (SCIPL).

Delhi based Swadeshi Civil Infrastructure Private Limited was established as a proprietorship concern in 1977 and later in 2008, the constitution was changed to private limited company. The company is promoted by Mr. Ramavtar Goel and Mr. Ankit Goel. The company is engaged into civil construction for government entities like PWD (Public Works Department), CPWD (Central Public Works Department) and HSCC Limited (Hospital Service Consultancy Corporation Limited) to name a few.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of SCIPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- Experience management and Long association with govt. agencies:**

Established in 1977 as a proprietorship firm and later in 2008, the constitution was changed to private limited company. The company is engaged in the business of civil construction and is promoted by Mr. Ramavtar Goel and Mr. Ankit Goel. The promoters have an experience of over four decades in construction business.

SCIPL 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.

The vast experience of the management and long association with government agencies has resulted in healthy order book position of Rs.1061.00 crore as on 31<sup>st</sup> December, 2019, thereby giving healthy revenue visibility for near to medium term.

- Healthy financial risk profile**

The company's financial risk profile is healthy marked by healthy net worth, low gearing and moderate coverage indicators. The net worth stood healthy at Rs. 104.49 crore as on March 31, 2019 against Rs. 89.00 crore as on March 31, 2018. The gearing of the company stood low at 0.22 times as on March 31, 2019 against 0.13 times as on March 31, 2018. This is mainly on account of low external debt. The total debt of Rs. 22.90 crore as on March 31, 2019 comprises long-term loans from bank worth Rs. 0.69 crore, unsecured loans worth Rs. 0.51 crore and short-term working capital debt from the bank of Rs. 21.70 crore. Low reliance over external borrowings has led to healthy coverage indicators marked by Interest Coverage Ratio (ICR) which stood at 19.97 times for FY2019 against 16.62 times for FY2018. The Debt / EBITDA stood at 1.00 times in FY2019 against 0.34 times in FY2018. This is mainly on account of decline in EBITDA in FY2019. The EBITDA margins stood at 7.45 per cent in FY2019 as against 9.68 per cent in the previous year. Further, the net cash

accruals of the company stood healthy in the range of Rs. 15.00 – Rs. 20.00 crore for the last three years through FY2017 – FY2019 against minimal debt repayment obligations. This has reduced reliance on external debt to a large extent. Acuité believes that the financial risk profile of the company will continue to improve in the near to medium term backed by healthy revenue levels and healthy net cash accruals.

#### • **Comfortable working capital cycle**

SCIPL has comfortable working capital operations marked by GCA days of 191 days in FY2019. The debtor days stood comfortable at 50 days in FY2019 as against 36 day in FY2018. As a result, the average utilization of bank limits stood at ~80 percent for the last six months ending January, 2020. Acuité 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**

##### • **Fluctuation in revenues, decline in operating and profitability margins**

Revenues of the company are fluctuating and stood at Rs.232.07 crore for FY2019 as against Rs.295.67 crore for FY2018 and Rs.216.68 crore for FY2017. Further, the company has achieved revenues of Rs.255 crore for 9MFY2020. The decline in revenues in FY2019 was mainly due to delay in achieving COD for certain projects. The operating margins have been declining for last three years ending FY2019. The EBITDA margin for FY2019 stood at 7.45 per cent as against 9.68 per cent in the previous year and 10.57 percent in FY2017

##### • **Competitive and fragmented industry:**

The Company is engaged as 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 become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as management operating in this environment for more than four decades.

#### **Outlook: Stable**

Acuité believes that SCIPL 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.

#### **Material Covenant**

None

#### **Rating sensitivity**

- Improvement in operating income and profitability.
- Healthy order book position.

#### **Liquidity position: Adequate**

The company has adequate liquidity marked by healthy net cash accruals to its debt maturity obligations. The company generated cash accruals of Rs.15.89 crore during FY2019 against the debt maturity obligation of Rs. 0.41 crore for the same period. The cash accruals of the company are estimated to increase from Rs. 20.72 crore in FY2020 to Rs.25.52 crore in FY2022 while there are no significant debt maturity obligation for the same period. The company maintains cash and bank balances of Rs.3.61 crore as on March 31, 2019. GCA days stood at 191 days in FY2019. The current ratio of the company stood at 1.14 times as on March 31, 2019. Acuité 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 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	232.07	295.67
PAT	Rs. Cr.	13.29	18.96
PAT Margin (%)	(%)	5.73	6.41
Total Debt/Tangible Net Worth	Times	0.22	0.13
PBDIT/Interest	Times	19.97	16.62

#### Any other information

Not Applicable

#### Applicable Criteria

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

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

#### Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
August 08, 2019	Bank guarantee I	Long Term	40.00	ACUITE A3 (Assigned)
	Bank guarantee II	Short Term	38.00	ACUITE A3 (Assigned)
	Proposed bank facility	Long Term	22.00	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
Bank guarantee I	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A3 (Reaffirmed)
Bank guarantee II	Not Applicable	Not Applicable	Not Applicable	38.00	ACUITE A3 (Reaffirmed)
Bank guarantee III	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A3 (Reaffirmed)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Reaffirmed)

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### About Acuité Ratings & Research:

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