



Press Release
SWADESHI CIVIL INFRASTRUCTURE PRIVATE LIMITED
March 04, 2025
Rating Assigned

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|---------------------------------|----------------------|
| Bank Loan Ratings | 45.00 | ACUITE BBB+ Stable Assigned | - |
| Bank Loan Ratings | 173.00 | - | ACUITE A2 Assigned |
| Total Outstanding Quantum (Rs. Cr) | 218.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

ACUITE has assigned its long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the bank facilities of Rs.218.00 Crore of Swadeshi Civil Infrastructure Private Limited. The outlook is '**Stable**'.

Rationale for recommendation

The assigned rating factors in steady scale of operations marked by an operating income of Rs.404.99 Cr. in FY2024 as against Rs.460.41 Cr. in FY2023. The assigned rating also positively factors in the experienced management in civil construction business and healthy order book. Additionally, the financial risk profile of the company remained healthy marked by gearing (D/E: 0.27 times as on March 31, 2024), adequate liquidity position and healthy order book position with unexecuted orders in hand of Rs.1036.25 Cr. as on 31st December 2024, which will be executed in near to medium term. However, the above mentioned strengths are partly off-set by working capital intensive nature of operations of the company marked by high GCA days of 204 days in FY2024 on account of debtor collection period (including unbilled revenue) which stood at 101 days in FY2024. However, Acuite notes that the elongated receivable cycle is due to company usually awaits clearance of final bills for its completed projects. Acuite also considers the reputed client base consisting of government agencies, thereby reducing the counter party risk. It also remains constrained by risk related to tender based nature of business, volatility in raw material prices and intense competition in the civil construction industry.

About the Company

New Delhi - based, Swadeshi Civil Infrastructure Private Limited was incorporated in 2008 and is currently managed by Mr. Ram Avtar and Mr. Ankit Goel. The company is engaged in civil construction, mainly for industrial buildings. It undertakes projects of construction and expansion of industrial buildings and other related civil works at various locations all over India. The major contracts are allotted to it by government agencies including Central Public work department (CPWD), Public work Department (PWD), HSCC (India) Limited, and SC IPL is a registered class 'A' contractor with PWD and super class 1 contractor with CPWD which enables SC IPL to participate in higher value contracts floated by the various government entities. The directors of the company are Mr. Ram Avtar and Mr. Ankit Goel.

Unsupported Rating

Not applicable.

Analytical Approach

Acuite has considered the standalone approach on the basis of operational and financial risk profile of the company to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and Established track record of operations

The company has a long track record of over a decade in the civil construction business with an established track record of undertakes projects of construction and expansion of industrial buildings and other related civil works at various locations all over India on EPC basis. Currently the company is managed by the present directors of the company- Mr. Ram Avtar and Mr. Ankit Goel , who has been associated with this industry for over a decade. Acuite believes that going forward, the growth of the company will be aided by the long track record of operations and the management's strong understanding of market dynamics.

Moderate Scale of operations

The company has clocked a revenue of Rs.404.99 Crore in FY24 against Rs.460.41 Crore in FY23. The decline in the turnover was due to delay in revenue booking on works completed but not timely certified by the given authority. The scale of the operations has been supported by the strong order book from key clients, including public limited companies and Government owned entities like Central Public Works Department (CPWD), Public Works Department in major states (PWD), Airport Authority of India (AAI), HSCC. Further, the EBITDA Margins of the company stood at 5.02% in FY24 against 5.44% in FY23 and company is also focusing upon to minimize sub-contracting which will help company to fetch better margins as compared to previous years. Also, the PAT Margins of the company has impacted which stood at 3.61% in FY24 against 4.20% in FY23 due to higher interest cost charged upon the unsecured loans. The company has already recorded sales of Rs.376.92 Cr, reflecting a strong performance and positive momentum for the remainder of the year. Acuite believes that company will able to have better top-line in near to medium term supported by stable margins as compared to previous years on account of better order book.

Healthy Financial Risk Profile

The financial risk profile of the company is healthy marked by net-worth of Rs.182.33 Crore as on 31st March 2024 against Rs.167.69 Crore as on 31st March 2023. The increase in the net-worth is on an account of accretion of profits into reserves. The total debt of the company stood at Rs.49.21 Crore as on 31st March 2024 against Rs.47.50 Crore as on 31st March 2023. The gearing ratio of the company is low which stood at 0.27 times as on 31st March 2024 against 0.28 times as on 31st March 2023 and it is expected to improve in the absence of any additional long term debt taken. The coverage indicators of SCIPL is quite comfortable reflected by interest coverage ratio and debt service coverage ratio which stood at 4.27 times and 3.54 times respectively as on 31st March 2024 against 7.93 times and 6.18 times respectively as on 31st March 2023. The TOL/TNW ratio of the company stood at 0.97 times as on 31st March 2024 against 0.96 times as on 31st March 2023 and DEBT-EBITDA of the company stood at 1.70 times as on 31st March 2024 against 1.43 times as on 31st March 2023. Acuite believes that financial risk profile of the company is expected to improve in the absence of any long term debt taken and not likely to take in near to medium term.

Weaknesses

Working Capital Intensive Operations

The working capital management of the company is intensive marked by high Gross Current Assets (GCA) of 204 days in 31st March 2024 against 161 days in 31st March 2023. The GCA days is high primarily on account of high receivables and inventory. The bills on EPC business are mostly raised towards year end, resulting in skewed receivable cycle towards year end. The debtors stood moderate at 101 days in FY2024 compared to 77 days in FY2023. The EPC business retains a naturally elevated working capital intensity, attributed to prolonged project execution timelines, payments tied to project milestones, and the release of retention money. Further, the inventory holding stood at 39 days in 31st March 2024 as compared to 22 days in 31st March 2023. The average fund based bank limit utilization of the company stood at 63.09% in last ten months ending Jan 2025 and the non-fund based bank limit utilization of the company stood at 94.54% in last ten months ending Jan 2025. On the other hand, the creditor days of the company stood at 64 days as on 31st March 2024 against 49 days as on 31st March 2023. Acuite believes that the working capital operations of the company will remain at similar levels over the medium term and will remain a key monitor able.

Highly Competitive Industry

The infrastructure is a fairly fragmented industry with a presence of few large pan India players where subcontracting & project specific partnerships for technical/financial reasons are fairly common. The company faces stiff competition with its competitors in procuring orders through bidding, immense competition for procuring tenders leads to very competitive pricing which in turn lead to stress on the margins. Moreover, susceptibility of raw material pricing again keeps profit margin vulnerable risk and key sensitivity factor. However, presence of price escalation clause prevents the company from exposure to raw material price fluctuations to some extent. Also, the vast experience of the promoters gives the company an edge in procuring big size ticket orders but the stability of the order size in diversified segment is the key sensitive factor.

Rating Sensitivities

- Timely execution of order book.
- Movement in the scale of operations and Margins.
- Working Capital Cycle.

Liquidity Position**Adequate**

The liquidity profile of the company is adequate. The company has generated net cash accruals of Rs.17.22 Crore as on 31st March 2024 against no debt repayment obligation. The current ratio of the company stood at 2.07 times as on 31st March 2024 against 1.84 times as on 31st March 2023. Going forward, the company is expected to generate sufficient net cash accruals against no debt repayment obligations in near to medium term. Also, the additional liquidity cushion has been derived from the free fixed deposits of Rs.24.91 Crore as on 31st March 2024. Acuite believes that the liquidity of the Company is expected to be adequate on account of steady cash accruals, minimal debt obligations, absence of capex plans, healthy current ratio albeit high dependence on bank line to fund its working capital requirement over the medium term.

Outlook: Stable**Other Factors affecting Rating**

None.

Key Financials

| Particulars | Unit | FY 24 (Actual) | FY 23 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 404.99 | 460.41 |
| PAT | Rs. Cr. | 14.64 | 19.33 |
| PAT Margin | (%) | 3.61 | 4.20 |
| Total Debt/Tangible Net Worth | Times | 0.27 | 0.28 |
| PBDIT/Interest | Times | 4.27 | 7.93 |

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

None.

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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. Acuite'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 :

Not applicable.

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Complexity Level | Rating |
|----------------|----------------------|----------------------------------|----------------------|----------------------|----------------------|-------------------|------------------|---------------------------------|
| Axis Bank | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 45.00 | Simple | ACUITE A2 Assigned |
| HDFC Bank Ltd | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 128.00 | Simple | ACUITE A2 Assigned |
| Axis Bank | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 20.00 | Simple | ACUITE BBB+ Stable Assigned |
| HDFC Bank Ltd | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 20.00 | Simple | ACUITE BBB+ Stable Assigned |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 5.00 | Simple | ACUITE BBB+ Stable Assigned |

Contacts

| | |
|---|---|
| Mohit Jain Senior Vice President-Rating Operations | Contact details exclusively for investors and lenders |
| Depanshi Mittal Lead Analyst-Rating Operations | Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in |

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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