



Press Release
Siddhartha Engineering Limited
September 24, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.33	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	123.17	-	ACUITE A3 Upgraded
Total Outstanding Quantum (Rs. Cr)	163.50	-	-

Rating Rationale

Acuite has upgraded its long-term rating to **'ACUITE BBB- (read as ACUITE triple B minus)** from **'ACUITE BB+ (read as ACUITE double B plus)** and upgraded the short-term rating to **'ACUITE A3 (read as ACUITE A three)** from **'ACUITE A4+ (read as ACUITE A four plus)** on the Rs. 163.50 crore bank facilities of Siddhartha Engineering Limited (SEL). The outlook is **'Stable'**.

Rationale for Rating

The rating takes into cognizance the stable business risk profile of the company by its stagnant growth in revenue and operating margin. SEL's slight (Y-o-Y 5 percent improvement) growth in revenue and operating margin is due to the general elections in Q4 of FY2024, the company did not raise a substantial amount of bills. Furthermore, the profitability of the company has increased on the account of timely completion of the ongoing projects. The rating is also supported by the management's long-standing experience and healthy financial position characterized by improving debt coverage indicators. The company's liquidity is further supported by healthy cash accruals, absence of any major capex plans, minimal debt obligations, healthy current ratio. These strengths are however, partly offset by the intensive working capital management of the company.

About the Company

Siddhartha Engineering Limited (SEL) an Orissa based company was incorporated in 1972 as partnership firm and reconstituted as private limited company in 1986, subsequently as public limited company with the present name in 2008. The company is engaged in designs, supplies, erects, commissions and tests electrical substations for various government organizations. Currently the company promoted by the director Mr. Sudhansu Sekhar Palo who has more than four decades of experience in transmission tower and electrical sub-station business. The other directors Mr. Sidhartha Palo and Mrs. Madhuri Palo also have more than two decades experience in aforementioned industry.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SEL while arriving at the rating.

Key Rating Drivers

Strengths

Moderate Growth in Revenue and Profitability

Siddhartha Engineering Limited (SEL) participates and receives majority of the contracts from the Government of Odisha and various power grids from different states. Operations continue to be focused on electrification projects. SEL has achieved revenues of Rs. 130.47 crore in FY2024 (Prov.) as compared to Rs. 124.26 crore in FY2023. Due to the general elections in Q4 of FY2024, the company did not raise a substantial amount of bills, resulting in a y-o-y gain of just 5 percent in revenue. As a result, revenue for Q1 FY2025 has increased significantly over the same period in previous years. SEL mostly books majority of revenue in the last quarter. The company has already booked Rs. 40.96 crore in Q1 FY2025 and added Rs. 11 crore in the month of July-August and expecting to achieve atleast Rs.157 crore for FY2025.

Healthy Financial Risk Profile

Financial risk profile of company is comfortable marked by healthy net worth of Rs. 80.09 crore in FY2024 (Prov.) as against Rs. 70.30 crore in FY2023. The improvement is majorly on account of accretion of reserves. Acuité has also considered unsecured loan of Rs. 9.83 crore from the promoters as on March 31, 2024 (Prov.) as quasi equity, as the same amount is subordinated with bank debt. The adjusted gearing (debt-equity) stood below unity at 0.48 times in FY2024 (Prov.) as against 0.67 times in FY2023. The interest coverage ratio of the company improved and stood at 2.29 times in FY2024 (Prov.) as against 2.18 times for FY2023. The DSCR stood at 1.52 times for FY2024 (Prov.) as compared to 1.41 times for FY2023. The Net Cash Accruals to Total Debt stood at 0.22 times as on FY2024 (Prov.) as against 0.15 times in FY2023. The Total outside liabilities to Tangible net worth (TOL/TNW) stood at 1.06 times in FY2024 (Prov.) as against 1.26 times for FY2023. Acuité believes that the financial risk profile of the firm will continue to remain comfortable over the medium term.

Experienced management and long track record of operations

The company has long operational track record of more than three decades in the construction industry. The entity was promoted by Mr. Sudhansu Sekhar Palo, who has more than four decades of experience in the transmission tower and electrical substation business. The other directors, Mr. Sidhartha Palo and Mrs. Madhuri Palo, also have more than two decades of experience in the aforementioned industry. The longstanding experience of the management and long track record of operations have helped the company establish relationships with reputed clients such as Power Grid Corporation of India, Odisha Power Transmission Corporation Limited (OPTCL), etc. The company has been in this industry for an extended period and has built strong relationships with clients over that time.

Weaknesses

Intensive but Improving Working Capital of Operations

The company's working capital of operations has improved marked by Gross Current Assets (GCA) of 400 days in FY2024 (Prov.) as against 430 days for FY2023. The company realises majority of the total sales in the Q4 of every year hence working capital cycle mostly stays high. Inventory days has improved and stood at 118 days in FY2024 (Prov.) as against 137 days in FY2023. However, the debtor collection period improved and stood at 117 days in FY2024 (Prov.) as against 121 days in FY2023. Major customers of the company are Government bodies. Creditor days of the company stood 157 days in FY2024 (Prov.) as compared to 135 days in FY2023. Acuité believes that the company to sustain its working capital operations in the similar levels.

Competitive and Fragmented Industry

SEL is engaged as an EPC contractor. This particular sector is marked by the presence of several mid to large sized players. The company faces intense pricing competition from the other players in the sectors. The risk becomes more pronounced as tendering is based on

minimum amount of bidding on contracts and susceptibility to inherent cyclicalities in the sector. Acuité believes that SEL is well positioned on account of its longstanding relationship with well-established international players in the industry and the long track-record of its promoters spanning nearing six decades. Further, SEL is also exposed to regulatory risks, which can affect its ability to complete projects in a timely manner and to secure new projects from time to time.

Rating Sensitivities

- Timely execution of projects without any delay
- Any further elongation in receivable position of the company

Liquidity Position Adequate

Liquidity profile of the company is adequate marked by improving net cash accruals against its maturing debt obligations. The firm generated cash accruals of Rs. 8.56 crore in FY2024 (Prov.) as against its maturing debt obligation of Rs. 2.67 crore in the same period. Utilization of fund-based limits remains moderate at ~ 83.58 and non-fund-based limits remains moderate at ~ 78.82 percent in 12 months ended in June 2024, and as per the banker's feedback the account conduct is satisfactory during the year. The company has unencumbered cash and bank balances of Rs. 0.77 crore as on FY2024 (Prov.). Additionally, the company has free cash of Rs. 15.41 crore to deploy for investments in FY2024 (Prov.). The current ratio of the firm increased and stood comfortable at 1.92 times in FY2024 (Prov.). Acuité expects liquidity profile of the firm to remain adequate due to sufficient accruals, moderate utilisation of bank lines and moderate current ratio over the medium term.

Outlook: Stable

Acuité has revised the outlook on SEL to stable on account of a significant improvement in the receivables position of the company thus providing comfort to the liquidity position. Also, the revenue from operations of the company witnessed improvement on account of timely execution of orders. The company will continue to benefit from its experienced management and established association with customers and suppliers along with a healthy financial risk profile. The outlook may be revised to "Positive" in case the company registers significant improvement in scale of operations while sustaining their profit margins and achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the company's scale of operations and profitability or capital structure, or in case of further elongation of working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	130.47	124.26
PAT	Rs. Cr.	7.80	6.35
PAT Margin	(%)	5.98	5.11
Total Debt/Tangible Net Worth	Times	0.48	0.67
PBDIT/Interest	Times	2.29	2.18

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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, Acuite 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Jul 2023	Cash Credit	Long Term	10.00	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB+ Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	1.83	ACUITE BB+ Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	2.37	ACUITE BB+ Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	1.13	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	38.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	17.25	ACUITE A4+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	22.00	ACUITE A4+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	7.42	ACUITE A4+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	11.50	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	7.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	5.00	ACUITE A4+ (Assigned)
31 Jan 2023	Cash Credit	Long Term	10.00	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	10.00	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	5.00	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	1.83	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	2.37	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	1.13	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	10.00	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	38.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	17.25	ACUITE A4+ (Downgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	22.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Short Term	Short		ACUITE A4+ (Downgraded from ACUITE

	Bank Facility	Term	7.42	A3)
	Bank Guarantee (BLR)	Short Term	11.50	ACUITE A4+ (Downgraded from ACUITE A3)
	Letter of Credit	Short Term	7.00	ACUITE A4+ (Downgraded from ACUITE A3)
02 Nov 2021	Proposed Short Term Bank Facility	Short Term	1.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	22.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	35.75	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	38.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	1.94	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	2.97	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	4.84	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BBB- Stable (Reaffirmed)
12 Mar 2021	Bank Guarantee (BLR)	Short Term	38.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	35.75	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	22.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	4.84	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	2.97	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	1.94	ACUITE BBB- Stable (Assigned)
03 Mar 2021	Cash Credit	Long Term	17.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	1.78	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Bank Guarantee (BLR)	Short Term	41.75	ACUITE A3 (Upgraded from ACUITE A4+)
	Bank Guarantee (BLR)	Short Term	21.85	ACUITE A3 (Upgraded from ACUITE A4+)
	Letter of Credit	Short Term	7.62	ACUITE A3 (Upgraded from ACUITE A4+)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	38.00	ACUITE A3 Upgraded (from ACUITE A4+)
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.25	ACUITE A3 Upgraded (from ACUITE A4+)
Karnataka Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE A3 Upgraded (from ACUITE A4+)
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.50	ACUITE A3 Upgraded (from ACUITE A4+)
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Karnataka Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
								ACUITE

State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	A3 Upgraded (from ACUITE A4+)
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE A3 Upgraded (from ACUITE A4+)
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A3 Upgraded (from ACUITE A4+)
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.42	ACUITE A3 Upgraded (from ACUITE A4+)
State Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.83	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Canara Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.37	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Axis Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.13	ACUITE BBB- Stable Upgraded (from ACUITE BB+)

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Chayan Patra Associate Analyst-Rating Operations Tel: 022-49294065 chayan.patra@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.