

Press Release

SLC Projects Private Limited

May 21, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.30.00 Cr.
Long Term Rating	ACUITE BB-/ Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.30.00 crore bank facilities of SLC Projects Private Limited (SPPL). The outlook is '**Stable**'.

SLC Projects Private Limited (SPPL) commenced its operations in 1968 and provides infrastructure construction and engineering services. The company is actively involved in construction, electrical, and mechanical works for government defence-related projects. The company is set up by Mr. P. Subbaraju and the company operates from Visakhapatnam, Andhra Pradesh.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

SPPL's business risk profile is supported by director's extensive industry experience. The managing director, Mr. P. Subbaraju has more than three decades of experience in executing civil contract works and defense related projects. His long standing experience has helped the company in establishing comfortable relationships with their key customers and suppliers.

Acuite believes that SPPL will continue to benefit from the promoter's established presence in the industry and its improving business risk profile over the medium term

Weaknesses

• Modest Financial Risk Profile

SPPL has modest financial risk profile with average net worth, high gearing and below average debt protection metrics. The company has average net worth of Rs.10.08 crore as on March 31, 2019. The gearing stood high at 2.56 times as on March 31, 2019 as against 2.61 times as on March 31, 2018. The debt service coverage ratio (DCSR) stood low at 0.90 times for FY 2019 as compared to 0.95 times for FY 2018. NCA/TD stood low at 0.05 times in FY2019.

Acuite believes the company's financial risk profile to remain modest over the medium term.

• Working Capital Intensive Operations

The operations are working capital intensive marked by high gross current asset (GCA) days in 124 days in FY 2019 from 117 days in FY 2018. The GCA days stood high mainly on account of high debtor days of 103 days as compared to 98 days in FY 2018. These high debtor days are due to delay in collections.

Acuite believes that efficient working capital management will remain a key factor.

• Tender based business

The company deals with government organization that provides orders on tender basis. The company has to bid for tenders. Going forward company's ability to bid for orders and qualifying for the same remains to be seen. However, the promoters experience and relationship partially mitigates this risk.

Liquidity position: Stretched

The liquidity position of the firm is stretched by cash accrual of Rs.1.40 crore as compared to maturing debt obligation of Rs.1.70 crore in FY2019. The company's working capital intensive operations are marked by high gross current asset (GCA) days of 124 in FY 2019 backed by high debtor days of 103 in FY2019. Bank limit is utilized to the extent of ~90% for last 6 months ended February 2020. The current ratio of the company stands moderate at 1.03 times as on March 31, 2019.

Acuite believes that going forward, the liquidity position of the company is likely to improve over the medium term backed by timely execution of orders.

Rating Sensitivities

- Significant improvement in revenues while maintaining the profitability
- Any significant deterioration in liquidity

Material Covenants

None

Outlook: Stable

Acuite believes SLC Projects Private Limited will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected cash accruals on the back of sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the firm's profitability or deterioration in the capital structure and liquidity position

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	80.98	83.74
PAT	Rs. Cr.	0.85	0.99
PAT Margin	(%)	1.05	1.19
Total Debt/Tangible Net Worth	Times	3.55	3.85
PBDIT/Interest	Times	1.74	1.93

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BB-/Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB-/Stable

Bank guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4
----------------	----------------	----------------	----------------	-------	-----------

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Vice President – Corporate & Infrastructure Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Sruthi Talanki Rating Analyst - Rating Operations Tel: 040-40042327 sruthi.talanki@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuite Ratings & Research:

Acuite Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuite 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. Acuite ratings 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, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite 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. Acuite ratings 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 Acuite.