

## Press Release

SLC Projects Private Limited

May 02, 2022

## Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	-	ACUITE A4   Upgraded
Bank Loan Ratings	18.00	ACUITE B+   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

\* Refer Annexure for details

## Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE B+**' (read as **ACUITE B Plus**) from '**ACUITE D**' (read as **ACUITE D**) and its short-term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE D**' (read as **ACUITE D**) on the **Rs.30.00 Cr** bank facilities of SLC Projects Private Limited (SPPL). The outlook is '**Stable**'.

### Rationale for Rating Upgrade

The rating is upgraded considering the no instances of delay in repayment of loans. . Further, upgrade in the rating also factors the improvement in the margins in FY2022. However, the rating is constrained by stretched liquidity position with high dependence on borrowings.

### About the Company

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 taken a standalone view of the business and financial risk profile of SPPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### >Experienced management

SPPL's business risk profile is supported by director's extensive industry experience. The

company is promoted by Mr. P Subba Raju, Mrs. P Yasodha, Mr. P Srinivasa Raju and Mr. P Ramana Kumar Raju. The managing director, Mr. P. Subba Raju 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.

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

## **Weaknesses**

### **>Moderate Financial risk profile**

The financial risk profile of the company stood moderate marked by stable net worth, moderate gearing and moderate debt protection metrics. The tangible net worth stood at Rs.12.02 crore as on 31 March, 2021 as against Rs.11.66 crore as on 31 March, 2020. The total debt of the company stood at Rs.22.79 crore includes Rs.2.80 crore of long term debt, Rs.2.38 crore unsecured loans from directors and Rs.17.60 crore of short term debt as on 31 March, 2021. The gearing (debt-equity) stood moderate at 1.90 times as on 31 March, 2021 as compared to 1.87 times as on 31 March, 2020. Interest Coverage Ratio stood at 2.18 times for FY2021 as against 2.90 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 2.06 times in FY2021 as against 2.55 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 3.16 times as on 31 March, 2021 as against 3.39 times on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.06 times for FY2021.

Acuité believes that the financial risk profile of the company is expected to remain moderate over the medium term.

### **>Working capital intensive operations**

The working capital management of the company is intensive marked by GCA days of 209 days in FY2021 as against 142 days in FY2020. Also, the debtor days stood at 167 days in FY2021 as against 105 days in FY2020. The increase in debtor days is majorly due to the billings were done in March 2021. However, the inventory days stood at 15 days in FY 2021 as against 1 day in FY 2020. The creditor days stood at 71 days in FY 2021 as against 54 days in FY 2020.

Acuité expects the working capital management to remain intensive over the medium term on account of the delay in realisation from customers, which is inherent in the aforementioned industry.

### **>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 and is a key sensitivity factor.

## **Rating Sensitivities**

- Improvement in scale of operations and profitability margin.
- Stretch in working capital cycle and liquidity position.

## **Material covenants**

None.

## **Liquidity Position: Stretched**

The company's liquidity position is stretched as the average bank limit utilization for the past 11 months for Bank of India ending February 2022 is ~ 99.71 percent and also the company has availed TODs from bank frequently in the recent past. However, they have sufficient net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.1.38-2.48 Crore from FY 2019- 2021. And also, is expected to generate a sufficient cash accrual in the range of Rs.3.61-7.51 crore. The working capital management of the company is intensive marked by GCA days of 209 days in FY2021 as against 142 days in

FY2020. The company maintains unencumbered cash and bank balances of Rs.0.06 crore as on March 31, 2021. The current ratio stands at 1.08 times as on March 31, 2021.

### Outlook: Stable

Acuité believes that SPPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger than-expected debt funded capex leading to deterioration in its financial risk profile and liquidity.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	56.93	86.39
PAT	Rs. Cr.	0.36	1.58
PAT Margin	(%)	0.62	1.83
Total Debt/Tangible Net Worth	Times	1.90	1.87
PBDIT/Interest	Times	2.18	2.90

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

Not Applicable.

### Any other information

Not Applicable.

### 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

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Nov 2021	Working Capital Term Loan	Long Term	1.97	ACUITE D (Downgraded from ACUITE BB   Stable)
	Cash Credit	Long Term	14.00	ACUITE D (Downgraded from ACUITE BB   Stable)
	Proposed Bank Facility	Long Term	2.03	ACUITE D (Downgraded from ACUITE BB   Stable)
	Bank Guarantee	Short Term	12.00	ACUITE D (Downgraded from ACUITE A4+)
23 Jul 2021	Bank Guarantee	Short Term	12.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Proposed Bank Facility	Long Term	2.03	ACUITE BB   Stable (Upgraded from ACUITE BB-   Stable)
	Working Capital Term Loan	Long Term	1.97	ACUITE BB   Stable (Assigned)
	Cash Credit	Long Term	14.00	ACUITE BB   Stable (Upgraded from ACUITE BB-   Stable)
21 May 2020	Cash Credit	Long Term	14.00	ACUITE BB-   Stable (Assigned)
	Proposed Cash Credit	Long Term	4.00	ACUITE BB-   Stable (Assigned)
	Bank Guarantee	Short term	12.00	ACUITE A4 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4   Upgraded
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE B+   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE B+   Stable   Upgraded
Bank of India	Not Applicable	Term Loan	13-11-2021	Not available	13-12-2026	1.83	ACUITE B+   Stable   Upgraded
Bank of India	Not Applicable	Working Capital Term Loan	13-08-2020	7.50	13-09-2024	1.97	ACUITE B+   Stable   Upgraded

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### About Acuité Ratings & Research

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