

Press Release

SLC Projects Private Limited

May 04, 2023



Rating Reaffirmed

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

Rating Rationale

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

Rationale for Rating

The reaffirmation in the rating reflects SPPL's experienced management along with director's extensive industry experience, the long operational track record of the company, and their longstanding relationships with the reputed clients - such as Director General Naval, and Hindustan Aeronautics Limited. Further, the rating also factors the improvement in the revenue in FY2022 of Rs.74.75 Cr as against Rs.56.93 Cr in FY2021. For FY2023 (Prov), the company has recorded a revenue of ~Rs.100 Cr. However, the rating is constrained by intensive working capital operations, highly competitive industry and 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.

>Moderate Financial risk profile

The financial risk profile of the company stood moderate marked by stable net worth, stable gearing and moderate debt protection metrics. The tangible net worth stood at Rs.10.38 crore as on 31 March 2022 as against Rs.12.02 crore as on 31 March 2021. The total debt of the company stood at Rs.26.05 crore includes Rs.3.64 crore of long-term debt, Rs.16.84 crore of short-term debt, Rs.3.85 crore of Unsecured loans and Rs.1.72 crore of CPLTD as on 31 March, 2022. The gearing (debt-equity) stood at 2.51 times as on 31 March 2022 as compared to 1.90 times as on 31 March, 2021. Interest Coverage Ratio stood at 1.70 times for FY2022 as against 2.18 times for FY2021. Debt Service Coverage Ratio (DSCR) stood at 1.60 times in FY2022 as against 2.06 times in FY2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 4.24 times as on 31 March, 2022 as against 3.16 times as on 31 March, 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.05 times for FY2022 as against 0.06 times for FY2021.

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

Weaknesses

>Working capital intensive operations

The working capital management of the company is intensive marked by GCA days of 169 days in FY2022 as against 209 days in FY2021. Debtor days stood high at 119 days in FY2022 as against 167 days in FY2021 as most of the company billings happens in the end of the month of March and the payment period mostly comes in April. The average credit period allowed to customers is 90 days. However, the creditor days stood at 82 days in FY2022 as against 71 days in FY2021. The average credit period allowed by suppliers is around 30-45 days. Inventory Days stood at 39 days in FY2022 as against 15 days in FY2021.

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.

Material covenants

None

Liquidity Position

Adequate

The company's liquidity position is adequate, marked by sufficient net cash accruals against its maturing debt obligations. The company generated sufficient net cash accruals in the range of Rs.1.38-2.48 Crore in FY2020-22 against its maturity repayment obligations in the range of Rs.1.72 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.4.30-10.83 crores against the maturing repayment obligations of Rs.2.15-3.91 crore over the medium term. The working capital management of the company is intensive marked by moderate GCA days of 169 days in FY2022 as against 209 days in

FY2021. Average utilization for the working capital facilities is ~98% percent for the past 08 months ended March 2023. The company maintains unencumbered cash and bank balances of Rs.0.41 crore as on March 31, 2022. The current ratio stands at 1.03 times as on March 31, 2022, as against 1.08 times as on 31 March, 2021.

Acuite believes that the liquidity of the company will remain adequate in the near to medium term on account of significant debt repayment in the near to medium term.

Outlook: Stable

Acuite 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	74.75	56.93
PAT	Rs. Cr.	0.62	0.36
PAT Margin	(%)	0.83	0.62
Total Debt/Tangible Net Worth	Times	2.51	1.90
PBDIT/Interest	Times	1.70	2.18

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

Crisil vide its press release dated 28.02.2023 had reaffirmed the company to CRISIL D; Issuer Not Cooperating

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, 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
02 May 2022	Bank Guarantee	Short Term	12.00	ACUITE A4 (Upgraded from ACUITE D)
	Working Capital Term Loan	Long Term	1.97	ACUITE B+ Stable (Upgraded from ACUITE D)
	Proposed Bank Facility	Long Term	0.20	ACUITE B+ Stable (Upgraded from ACUITE D)
	Term Loan	Long Term	1.83	ACUITE B+ Stable (Upgraded from ACUITE D)
	Cash Credit	Long Term	14.00	ACUITE B+ Stable (Upgraded from ACUITE D)
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	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)
	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)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A4 Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE B+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.24	ACUITE B+ Stable Reaffirmed
Bank of India	Not Applicable	Term Loan	13 Nov 2021	Not available	13 Dec 2026	Simple	1.83	ACUITE B+ Stable Reaffirmed
Bank of India	Not Applicable	Working Capital Term Loan	13 Aug 2020	7.50	13 Sep 2024	Simple	0.93	ACUITE B+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Siddharth Shah Analyst-Rating Operations Tel: 022-49294065 siddharth.shah@acuite.in	Varsha Bist Senior Manager-Rating Operations 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.