



Press Release
SLC Projects Private Limited
October 29, 2024
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	26.25	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	18.00	ACUITE BB- Stable Upgraded	-
Bank Loan Ratings	12.00	-	ACUITE A4+ Upgraded
Total Outstanding Quantum (Rs. Cr)	56.25	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to ‘**ACUITE BB-**’ (read as **ACUITE Double B Minus**) from ‘**ACUITE C**’ (read as **ACUITE C**) and its short-term rating to ‘**ACUITE A4+**’ (read as **ACUITE A four Plus**) from ‘**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**’.

Acuite has assigned its long-term rating of ‘**ACUITE BB-**’ (read as **ACUITE Double B Minus**) on the Rs 26.25 crore bank facilities of SLC Projects Private Limited (SPPL). The outlook is ‘**Stable**’.

Rationale for Rating

The upgrade in the rating considers long operational track record of the company along with SPPL’s experienced management and their longstanding relationships with reputed clients such as DGNP (Director General of Naval Projects), HAL (Hindustan Aeronautics Limited). Further, the rating considers improvement recorded in the operating revenue to Rs.102.65 Cr. in FY2024(Prov) from Rs.82.41 Cr. in FY2023. Furthermore, the company has healthy outstanding order book position of Rs.198.44 Cr. as of September 2024, reflecting revenue visibility over the medium term. The rating also reflects SPPL’s moderate financial risk profile marked by modest net worth, moderate gearing and debt protection metrics.

However, the rating is constrained by stretched liquidity position along with moderately intensive working capital operations, high dependence on working capital limits and exposure to intensive competition in civil construction industry.

Going ahead, the ability of the company to improve its operating performance and financial risk profile without any further elongations in the working capital management and stretch in liquidity position will remain a key monitorable.

About the Company

SLC Projects Private Limited (SPPL) commenced its operations in 2005 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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

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 defence 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 company has a moderate financial risk profile marked by modest net worth, moderate gearing and debt protection metrics. The tangible net worth of the company stood at Rs.14.65 crore as on 31 March 2024(Prov.) as against Rs.11.68 crore as on 31 March 2023. The increase in net worth is on account of accretion of profits into reserves. The gearing level of the company stood at 2.64 times in FY2024(Prov.) as against 3.33 times in FY2023. Interest Coverage Ratio (ICR) stood at 2.04 times in FY2024(Prov.) against 1.77 times in FY2023. Debt Service Coverage Ratio (DSCR) stood at 1.03 times in FY2024(Prov.) against 1.07 times in FY2023. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 3.25 times in FY2024(Prov.) as against 4.03 times in FY2023.

Acuité believes that the financial risk profile will improve and overall remain moderate over the medium term on account of moderate accruals generation and in absence no major debt funded capex plans.

Weaknesses

Moderately Intensive Working Capital Operations

The company is having moderately intensive working capital management along with high bank limit utilization. The Gross Current Asset (GCA) days stood at 132 days as on March 31, 2024(Prov.) as against 169 days as on March 31, 2023. Improvement in the GCA days is on account of improvement in the inventory levels. The inventory days improved and stood at 20 days in FY2024(Prov.) against 58 days in FY2023. The debtor days stood at 99 days in FY2024(Prov.) against 110 days in FY2023. The creditor days of the company stood stable at 27 days in FY2024(Prov.) and FY2023. The average utilization of the bank limits of the company remains high and stood at ~97.38 percent for fund based facilities and 89.78% for non-fund based facilities for 6 months from Oct-23 to Mar-24.

Acuité expects the working capital management to remain moderately intensive over the medium term.

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

- Higher than the expected improvement in the operating performance along with profitability margins while further improving its order book position.
- Significant decline in the operating performance, or deterioration in the financial risk profile.
- Any further elongations in the working capital cycle and stretch in the liquidity position.

Liquidity Position Stretched

The company has a stretched liquidity position marked by sufficient net cash accruals against its maturing debt

obligations. The company generated cash accruals of Rs.3.86 crore in FY2024(Prov.) against its maturing debt obligation of Rs.3.64 Cr. over the same period. The company maintains unencumbered cash and bank balances of Rs.2.04 crore as on March 31, 2024(Prov.). The current ratio stood at 1.31 times as on March 31, 2024(Prov.). The reliance of working capital limits is high marked by average utilization of ~97.38 percent for fund based facilities and 89.78% for non-fund based facilities for 6 months from Oct-23 to Mar-24.

Going ahead, the liquidity position of the company is expected to improve marginally on account of expected generation of sufficient net cash accruals in the range of Rs.4.82-5.99 Cr. against maturing debt obligation of Rs.3.53-2.63 Cr. over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	102.65	82.41
PAT	Rs. Cr.	2.97	1.29
PAT Margin	(%)	2.89	1.57
Total Debt/Tangible Net Worth	Times	2.64	3.33
PBDIT/Interest	Times	2.04	1.77

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>
- 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. Acuité'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 2024	Cash Credit	Long Term	14.00	ACUITE C (Downgraded & Issuer not co-operating* from ACUITE B+)
	Proposed Long Term Bank Facility	Long Term	1.24	ACUITE C (Downgraded & Issuer not co-operating* from ACUITE B+)
	Working Capital Term Loan	Long Term	0.93	ACUITE C (Downgraded & Issuer not co-operating* from ACUITE B+)
	Term Loan	Long Term	1.83	ACUITE C (Downgraded & Issuer not co-operating* from ACUITE B+)
	Bank Guarantee/Letter of Guarantee	Short Term	12.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
07 Sep 2023	Cash Credit	Long Term	14.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	1.24	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Working Capital Term Loan	Long Term	0.93	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	1.83	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee/Letter of Guarantee	Short Term	12.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
04 May 2023	Cash Credit	Long Term	14.00	ACUITE B+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.24	ACUITE B+ Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	12.00	ACUITE A4 (Reaffirmed)
	Working Capital Term Loan	Long Term	0.93	ACUITE B+ Stable (Reaffirmed)
	Term Loan	Long Term	1.83	ACUITE B+ Stable (Reaffirmed)
02 May 2022	Cash Credit	Long Term	14.00	ACUITE B+ Stable (Upgraded from ACUITE D)
	Proposed Long Term Bank Facility	Long Term	0.20	ACUITE B+ Stable (Upgraded from ACUITE D)
	Working Capital Term Loan	Long Term	1.97	ACUITE B+ Stable (Upgraded from ACUITE D)
	Term Loan	Long Term	1.83	ACUITE B+ Stable (Upgraded from ACUITE D)
	Bank Guarantee/Letter of Guarantee	Short Term	12.00	ACUITE A4 (Upgraded from ACUITE D)
29 Nov 2021	Working Capital Term Loan	Long Term	1.97	ACUITE D (Downgraded from ACUITE BB Stable)
	Proposed Long Term Bank Facility	Long Term	2.03	ACUITE D (Downgraded from ACUITE BB Stable)
	Cash Credit	Long Term	14.00	ACUITE D (Downgraded from ACUITE BB Stable)
	Bank Guarantee/Letter of Guarantee	Short Term	12.00	ACUITE D (Downgraded from ACUITE A4+)
23 Jul 2021	Bank Guarantee (BLR)	Short Term	12.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Working Capital Term Loan	Long Term	1.97	ACUITE BB Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	2.03	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Cash Credit	Long Term	14.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE A4+ Upgraded (from ACUITE A4)
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	14.00	Simple	ACUITE BB- Stable Upgraded (from ACUITE C)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.43	Simple	ACUITE BB- Stable Upgraded (from ACUITE C)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	26.25	Simple	ACUITE BB- Stable Assigned
Bank of India	Not avl. / Not appl.	Term Loan	13 Nov 2021	Not avl. / Not appl.	13 Dec 2026	1.57	Simple	ACUITE BB- Stable Upgraded (from ACUITE C)

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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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