# Press Release

**SRC Infra Developers Private Limited**

May 21, 2020

**Rating Assigned**

| | |
|---|---|
| **Total Bank Facilities Rated*** | Rs. 410.00 Cr. |
| **Long Term Rating** | ACUITE BBB/ Outlook: Stable |
| **Short Term Rating** | ACUITE A3+ |

** Refer Annexure for details*

**Rating Rationale**

Acuité has assigned long-term rating of '**ACUITE BBB**' **(read as ACUITE triple B)** and short term rating of **'ACUITE A3+' (read as ACUITE A three plus)** on the Rs. 410.00 crore bank facilities of SRC Infra Developers Private Limited (SIPL). The outlook is **'Stable'**.

SRC Infra Developers Private Limited (SIPL) was established as a partnership firm in 1998 namely, S. R. Constructions. Later in 2019, the constitution was changed to private limited. The company is promoted by Mr. Surendra Babu Amilineni, Mr. Yashwanth Amilineni, Mr. Rajagopal Muttineni and Mr. Venkatesulu Devineni. The company is engaged in construction and civil activities for roads, building, irrigation, power projects among others in Andhra Pradesh and Karnataka. The company caters to reputed customer base which includes various departments of central government and state government of Andhra Pradesh, Karnataka.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SRC Infra Developers Private Limited (SIPL) to arrive at the rating.

## Key Rating Drivers

### Strengths

- **Established track record of operations, experienced management resulting in healthy order book position**

  SIPL is engaged in undertaking civil construction works like roads, buildings, and infrastructure development for irrigation, power projects having a presence of over two decade in Infrastructure and construction industry. The company is promoted by Mr. Surendra Babu Amilineni, Mr. Yashwanth Amilineni, Mr. Rajagopal Muttineni and Mr. Venkatesulu Devineni. The promoters possess more than two decades of experience in aforesaid industry. The extensive experience of the promoters and established presence of the company in the said industry has helped the company to maintain healthy order book position resulting in improvement in business profile of the company. The order book position of the company stood at Rs. 1576.23 crore as on 31 March 2020 to be executed in FY2021- 23 providing revenue visibility over near to medium term. The operating income has improved to Rs. 559.00 crore in FY2019 from Rs.442.49 crore in FY2018. Further, the operating income stood at Rs. 552.00 crore for FY2020 (Provisional). The management is ably supported by a well-qualified and experienced team of professionals. SIPL primary undertakes works for projects for Government of Andhra Pradesh and Karnataka. The company also caters to reputed clients like Karnataka Road Development Corporation Limited (KRDCL), Indian Oil Corporation Limited (IOCL), Penna Cement Industries Limited to name few reducing counterparty risk. Acuité believes that the company will continue to derive benefit from its established presence in the industry along with promoter's experience and strong relations with its customers and suppliers.

- **Healthy financial risk profile**

The financial risk profile of the company stood comfortable marked by healthy net worth, comfortable coverage indicators, and low gearing. The net worth of the company improved and stood at Rs. 114.88 crore as on 31 March 2019 as against Rs. 81.73 crore as on 31 March 2018 on account of healthy accretion in reserves, the latter is a result of moderate operating margins. The net worth includes quasi equity of Rs. 24.15 crore as on 31 March 2019 and Rs. 14.01 crore as on 31 March 2018 as quasi capital. SIPL has followed a moderate financial policy in the past, the same is also reflected through its low gearing levels. The gearing level (debt-equity) stood at 0.73 times as on 31 March 2019 as against 0.90 times as on 31 March 2018. The total debt of Rs. 83.45 crore outstanding as on 31 March 2019 consist of long-term debt of Rs.60.66 crore and working capital loan of Rs. 22.79 crore. The EBITDA margins have improved to 10.84 per cent in FY2019 as against 9.85 per cent in the previous year. The moderate profitability levels vis-à-vis lower debt level has resulted in a comfortable debt protection metric. The interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 3.52 times and 1.99 times respectively in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.55 times in FY2019 and Debt-EBITDA stood at 1.30 times in FY2019.

Further, total outside liabilities to tangible net worth (TOL/TNW) stood comfortable at 1.74 times as on 31 March 2019 as against 1.88 times as on 31 March 2018. Acuité believes that the financial risk profile of the company is expected to remain healthy on account of healthy net cash accruals in near to medium-term.

## Weaknesses

- **Moderately working capital intensive nature of operations and timely release of security deposits**

The operations of SIPL are moderately working capital intensive marked by Gross Current Assets (GCA) of 122 days in FY2019 and 109 days in FY2018. This is primarily on account of the high security deposits and retention money. The total amount limits to around Rs. 69.40 crore as on 31 March 2019. However, the company is in discussion with the lenders for enhancement of Non-Fund based limits which is expected to release the security deposits and retention money. The timely disbursement of these limits will be a key for the company to maintain its liquidity profile and its ability to timely execute it order book position. Further, the average bank limit utilisation stood comfortably at ~85.37 percent for the last six months ended March 2020. Acuité believes efficient management of working capital cycle and timely realisation of receivables remains key deliverable.

- **Competitive and fragmented industry**

SIPL is engaged as an EPC contractor and faces intense competition from the presence of several mid to large sized players in the said industry. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts and susceptibility to inherent cyclicality in the sector. The recent relaxation of qualification norms by the Central Government for undertaking road projects is further expected to intensify the competitive scenario in the industry. Further, operating cash flow are susceptible to the ability to complete projects in a timely manner and to maintain healthy order book position by securing new projects from time to time. The company is experiencing some delay in the completion of projects on account of current lockdown due to COVID-19, change in scope and delays in regulatory and environmental approvals. However, Acuité believes that SIPL is well positioned on account of its longstanding relationship with various government departments of Andhra Pradesh and Karnataka and experience of its promoters spanning nearing three decades.

## Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. SIPL generated cash accruals of Rs. 46.11 crore in FY2019 against debt obligations of Rs. 17.33 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.35.00 crore to Rs.45.00 crore during FY2021-23 against repayment obligations ranging from Rs.17.50 crore to Rs.22.50 crore for the same period. The company's moderately working capital intensive operations are marked by gross current asset (GCA) days of 122 days in FY2019. The company maintains unencumbered cash and bank balances of Rs. 1.41 crore as on 31 March, 2019. The current ratio stood at 1.33 times as on 31 March, 2019. Further, company is under process to tie-up for additional working capital limits of Rs.150.00 crore which includes addition of three new banks under consortium. Of which company has received disbursement of Rs. 50.00 crore from one of the banker providing additional cushion to liquidity. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy order book position and timely support by infusion of unsecured loans by the management.

## Rating Sensitivities

- Sustaining existing scale of operations and margins
- Elongation in working capital cycle
- Deterioration in financial risk and liquidity profile

## Outlook: Stable

Acuité believes that SIPL will continue to benefit over the medium term due to its experienced management, moderate revenue visibility and comfortable debt protection metrics. 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 capital structure. Conversely, the outlook may be revised to 'Negative', in case of increased deterioration in liquidity position of the company most likely as a result of substantial increase in receivable collection period or in case of higher-than-expected leverage indicators.

## About the Rated Entity - Key Financials

| | Unit | FY19 (Actual) | FY18 (Actual) |
|---|---|---|---|
| Operating Income | Rs. Cr. | 559.00 | 442.49 |
| PAT | Rs. Cr. | 23.73 | 20.85 |
| PAT Margin | (%) | 4.25 | 4.71 |
| Total Debt/Tangible Net Worth | Times | 0.73 | 0.90 |
| PBDIT/Interest | Times | 3.52 | 2.80 |

## 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-17.htm
- Infrastructure Entities - https://www.acuite.in/view-rating-criteria-14.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

**Note on complexity levels of the rated instrument**

https://www.acuite.in/criteria-complexity-levels.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. Cr.) | Ratings/Outlook |
|---|---|---|---|---|---|
| Overdraft | Not Applicable | Not Applicable | Not Applicable | 25.00 | ACUITE BBB/ Stable |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 7.00 | ACUITE BBB/ Stable |
| Overdraft | Not Applicable | Not Applicable | Not Applicable | 2.00 | ACUITE BBB/ Stable |
| Proposed Bank Facility | Not Applicable | Not Applicable | Not Applicable | 1.00 | ACUITE BBB/ Stable |
| Bank guarantee | Not Applicable | Not Applicable | Not Applicable | 235.00* | ACUITE A3+ |
| Bank guarantee | Not Applicable | Not Applicable | Not Applicable | 43.00 | ACUITE A3+ |
| Bank guarantee | Not Applicable | Not Applicable | Not Applicable | 48.00 | ACUITE A3+ |
| Proposed Bank Facility | Not Applicable | Not Applicable | Not Applicable | 49.00 | ACUITE A3+ |

**Sub Limits:** *Letter of Credit Rs.5.00 Cr., Financial Guarantee Rs.87.50 Cr., Procurement of Bitumen Rs. 10.50 Cr., JVs/Third Party BGs Rs. 70.00 Cr.*

## Contacts


| Analytical | Rating Desk |
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### About Acuité Ratings & Research:

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