

Press Release

SRC Infra Developers Private Limited

October 08, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 410.00 Cr
Long Term Rating	ACUITE BBB/Stable (Reaffirmed)
Short Term Rating	ACUITE A3+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

Rationale for Rating Reaffirmation

The rating reaffirmation considers the comfort drawn from SIPL's established track record of operations, extensive experience of the promoters along with a healthy order book position. The rating is, however, constrained by the intense competition from the presence of several mid to large sized players in the said industry and susceptibility to inherent cyclicalities in the sector.

About the company

SRC Infra Developers Private Limited (SIPL) was initially established as a partnership firm in 1998 namely, S. R. Constructions. The firm was reconstituted as a private limited company in May 2019. The registered office is in Anantapur, Andhra Pradesh. The company is being managed by Mr. Yashwanth Amilineni, Mr. Rajagopal Muttineni and Mr. Venkatesulu Devineni. The company undertakes construction and civil works such as roads, building, irrigation, power, etc. in Andhra Pradesh (AP) and Karnataka (KA).

Analytical approach

For arriving at this rating, Acuite has taken the standalone business and financial risk profile of the company.

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 decades 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 company has unexecuted order book position of Rs. 2326.22 crore as on 30 June 2021 to be executed in FY2022- 24 providing revenue visibility over near to medium term.

The operating income has improved to Rs. 541.31 crores in FY2021 as against Rs. 449.02 crore in FY2020. The management is ably supported by a well-qualified and experienced team of professionals. SIPL primarily undertakes works for projects for Government of Andhra Pradesh and Karnataka. Acuite 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 healthy marked by healthy net worth, comfortable coverage indicators and low gearing. The net worth of the company improved and stood at Rs. 165.28 crore as on 31 March 2021 as against Rs. 143.75 as on 31 March 2020 on account of healthy accretion in reserves. SIPL has followed a moderate financial policy in the past, the same is also reflected through its low gearing levels. The gearing (debt-equity) stood at 0.78 times as on 31 March 2021 as against 0.40 times as on 31 March 2020. The total debt of Rs. 128.70 crore outstanding as on 31 March 2021 consist of long-term debt of Rs.84.48 crore, working capital loan of Rs. 43.21 crore and unsecured loans of Rs. 1.01 crore. The EBITDA margin stood at 11.43 percent as on 31 March 2021 as against 12.31 percent as on 31 March 2020. The moderate profitability levels vis-à-vis lower debt level has resulted in a comfortable debt protection metric. The interest coverage ratio and debt service coverage ratio stood at 2.37 and 2.13 times respectively as on 31 March 2021. NCA/TD (Net Cash Accruals to total debt) ratio stood at 0.24 times and Debt-EBITDA stood at 1.98 times as on 31 March 2021. Further, total outside liabilities to tangible net worth (TOL/TNW) stood comfortable at 1.84 times as on 31 March 2021 as against 2.32 times as on 31 March 2020.

Acuite 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.

Weakness

- **Moderately working capital-intensive nature of operations**

The operations of SIPL are moderately working capital intensive marked by Gross Current Asset (GCA) of 159 days in FY2021 as against 200 days in FY2020. The inventory days stood at 47 days in FY2021 as against 70 days in FY2020. The debtor days also stand moderate at 69 and 95 days in FY2021 and FY2020 respectively. This is also on account of the high security deposits and retention money. Further, the average bank limit utilisation stood moderately high at ~85.40 percent for the last six months ended August 2021. Acuite 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 contracts and susceptibility to inherent cyclicity 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 pandemic situation, change in scope and delays in regulatory and environmental approvals. However, Acuite 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.

Rating sensitivities

- Sustaining existing scale of operations and margins
- Deterioration in liquidity profile along with elongation in working capital cycle

Material Covenant

None

Liquidity Position: Adequate

Liquidity of SIPL is adequate marked by adequate cash accruals of Rs.30.88crore as on 31 March 2021 as against Rs.32.17crore on 31 March 2020. The operations of SIPL are moderately working capital intensive marked by Gross Current Asset (GCA) of 159 days in FY2021 as against 200 days in FY2020. It has unencumbered cash balances of Rs.0.77crore as on 31 March 2021. Acuite believes that the liquidity of the company is likely to remain adequate over the near to medium term on account of moderate order book position and cash accruals over the medium term.

Outlook: Stable

Acuite believes that SIPL will maintain a 'Stable' business risk profile on account of its established operational track record and experienced management and comfortable debt protection metrics. The outlook may be revised to 'Positive' in case SIPL is able to achieve significant growth in revenue along with improvement in profitability while maintaining the capital structure. The outlook may be revised to 'Negative' in case SIPL reports higher than expected increase in receivable collection period or leverage indicators.

About the Rated Entity Financials

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	541.31	449.02
PAT	Rs. Cr.	19.72	22.21
PAT Margin	(%)	3.64	4.95
Total Debt/Tangible Net Worth	Times	0.78	0.40
PBDIT/Interest	Times	2.37	3.22

Status of non-cooperation with previous CRA

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- 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 (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
21-May-20	Cash Credit	Long term	7.00	ACUITE BBB/Stable (Assigned)
	Overdraft	Long term	25.00	ACUITE BBB/Stable (Assigned)
	Overdraft	Long term	2.00	ACUITE BBB/Stable (Assigned)
	Proposed Bank Facility	Long term	1.00	ACUITE BBB/Stable (Assigned)
	Bank Guarantee	Short term	235.00	ACUITE A3+
	Bank Guarantee	Short term	43.00	ACUITE A3
	Bank Guarantee	Short term	48.00	ACUITE A3+
	Proposed Bank Facility	Short term	49.00	ACUITE A3+

#Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
HDFC Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB/Stable (Reaffirmed)
Union Bank of India (E-Andhra Bank)	Overdraft	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB/Stable (Reaffirmed)
Indian Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB/Stable (Reaffirmed)
Karnataka Bank Ltd	Overdraft	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB/Stable (Reaffirmed)
Union Bank of India (E-Andhra Bank)	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	235.00	ACUITE A3+ (Reaffirmed)
HDFC Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	43.00	ACUITE A3+ (Reaffirmed)
Indian Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3+ (Reaffirmed)
Karnataka Bank Ltd	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	67.00	ACUITE A3+ (Reaffirmed)

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