

## Press Release

### SRC Infra Developers Private Limited

November 28, 2022

### Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	35.00	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	375.00	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	410.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

### 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 Cr bank facilities of SRC Infra Developers Private Limited (SIPL). The outlook is **'Stable'**.

#### rationale for the rating

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 and moderate Financial risk profile. 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 cyclical 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, and 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. 2826.21 Cr as on September 30, 2022 to be executed in FY2023- 25 providing revenue visibility over near to medium term. The operating income has improved to Rs. 665.98 Cr in FY2022 as against Rs. 541.31 Cr in FY2021. 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. 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.

### **• Moderate Financial risk profile**

The financial risk profile of the company has remained moderate with moderate capital structure and debt protection metrics. The net worth of the company stood at Rs.196.58 Cr and Rs.165.28 Cr as on March 31, 2022 and 2021 ,respectively. The gearing of the firm has been deteriorated in FY2022 marginally due to increase in long term debt, however it has not impacted much on gearing ratio on account of increase in net worth levels . It stood at 0.83 times as on March 31, 2022 against 0.49 times as on March 31, 2021. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 2.87 times and 1.12 times as on March 31, 2022 respectively as against 2.37 times and 1.79 times as on March 31, 2021 respectively. The deterioration in DSCR ratio in FY2022 is on account of increase in repayment. TOL/TNW stood at 1.28 times and 1.25 times as on March 31, 2022 and 2021 respectively. The debt to EBITDA of the company stood at 1.98 times as on March 31, 2022 as against 1.82 times as on March 31, 2021. 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**

### **• Working capital intensive operations**

The working capital management of the company remained working capital intensive with GCA days at 143 days as on March 31, 2022 as against 208 days as on March 31, 2021. Inventory days stood at 54 days as on March 31, 2022 as against 57 days as on March 31, 2021. Subsequently, the payable period stood at 199 days as on March 31, 2022 as against 252 days as on March 31, 2021 respectively. The debtors day stood at 45 days as on March 31, 2022 as against 69 days as on March 31, 2021. The improved debtors days is on account of Company dealing with government bodies, the collections have been received in a timely manner. Further, the average bank limit utilization in the last twelve months ended September, 2022 remained at ~86 percent for fund based and 65 percent for non-fund based. Moreover their is higher than expected dependence on loan and stress in liquidity. Acuité believes that the operations of the SIPL will remain moderate in the medium term too.

### **• 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, 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.

### Rating Sensitivities

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

### Material covenants

None

### Liquidity Position: Adequate

The company has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.45.39 Cr in FY2022 as against the repayment of Rs.37.08 Cr for the same period and expected to generate cash accruals in the range of Rs.55-67 Cr. against CPLTD of Rs.25- 42 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 12.06 Cr as on March 31, 2022. The current ratio of the company stood at 1.78 times as on March 31, 2022. Acuité believes that SIPL's liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

### Outlook: Stable

Acuité 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.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	665.98	541.31
PAT	Rs. Cr.	31.26	19.72
PAT Margin	(%)	4.69	3.64
Total Debt/Tangible Net Worth	Times	0.86	0.78
PBDIT/Interest	Times	2.87	2.37

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

None

### 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](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Oct 2021	Cash Credit	Long Term	2.00	ACUITE BBB   Stable (Reaffirmed)
	Secured Overdraft	Long Term	25.00	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB   Stable (Reaffirmed)
	Bank Guarantee	Short Term	235.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	43.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	67.00	ACUITE A3+ (Reaffirmed)
	Secured Overdraft	Long Term	1.00	ACUITE BBB   Stable (Reaffirmed)
21 May 2020	Cash Credit	Long Term	7.00	ACUITE BBB   Stable (Assigned)
	Secured Overdraft	Long Term	25.00	ACUITE BBB   Stable (Assigned)
	Proposed Bank Facility	Short Term	49.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	48.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	43.00	ACUITE A3+ (Assigned)
	Proposed Bank Facility	Long Term	1.00	ACUITE BBB   Stable (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	235.00	ACUITE A3+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Karnataka Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	67.00	ACUITE A3+   Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	235.00	ACUITE A3+   Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	43.00	ACUITE A3+   Reaffirmed
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A3+   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BBB   Stable   Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB   Stable   Reaffirmed
Union Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB   Stable   Reaffirmed
Karnataka Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB   Stable   Reaffirmed

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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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