

## Press Release

SLMI InfraProjects Private Limited

May 08, 2023

## Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable	-
Bank Loan Ratings	74.00	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	92.00	-	-

## Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.92Cr bank facilities of SLMI Infra Projects Private Limited (SLMI). The outlook is revised from 'Negative' to '**Stable**'.

### Rationale for revision of outlook to stable from negative:

The revision of outlook factors in improvement in revenue in FY22 as the operations of the company improved post the covid pandemic. Further the company has reported similar growth in revenue in FY23 (Provisional).

The rating also factors in the healthy financial risk profile. However, the rating is constrained by high geographical and customer concentration risk.

Acuite believes that the operations of the company will further improve in the medium term with healthy order book providing revenue visibility.

Maintaining the EBITDA margins in the similar levels while improving the revenue and managing the working capital efficiently will be key monitorable aspect.

### About the Company

SLMI Infra Projects Private Limited (SLMI) erstwhile known as Sree Lakshmi Metal Industries and Constructions, was established in 1992 as a partnership concern. It was subsequently converted into a private limited company on May 11, 2011, with a change in name to befit its current cognomen.

SLMI is engaged in civil construction activities primarily of buildings, roads and highways.

SLMI is a family-owned business managed by Mr. B Venkat Reddy (Managing Director), Mr. B Neelakanta Reddy (Director) and Mr. B Narasimha Reddy (Director). The registered office of SLMI is located in Secunderabad, Telangana.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of SLMI to arrive at the rating.

## Key Rating Drivers

### Strengths

#### **Improvement in operations post covid and presence of healthy order book providing revenue visibility in the medium term.**

The operations of the company have improved post covid induced lockdown which is evident from the improvement in revenue to Rs.128.97Cr for FY22 from Rs.91.15Cr in FY21. Currently, SLMI has order book worth Rs.520.80Cr from ministry of road transport and highways, which are to be executed in the 12-36 months. The company was able to maintain its EBITDA margins in the range of 11- 11.5 percent in past four years. In FY23 (Provisional) the company has reported EBITDA margin of 11.01per cent. The company has leased asphalt quarry located in Hyderabad. This quarry meets around of 60 percent of the company's asphalt requirement in laying roads. This captive consumption is one of the key factor in maintaining stable EBITDA margins over the past 3-4 years.

#### **Above average financial risk profile:**

The financial risk profile of the company is above average marked by moderate net worth, healthy debt protection metrics and healthy debt to equity. The net worth of the company stood at Rs.78.55Cr as on March 31, 2022 as against Rs.71.57Cr during last year. The company has healthy gearing in the range of 0.50 to 0.20 times in the past 3 years. Gearing of the company stood at 0.25 times as on March 31, 2022. Low reliance on long term debts and moderate utilization of fund based utilization has resulted in healthy debt to equity ratio. Debt protection metrics of the company has improved in FY22, the Interest coverage ratio and debt service coverage ratio stood at 5.69 times and 4.20 times respectively as on March 31, 2022 against 3.76 times and 1.37 times respectively in previous year.

#### **Moderately - Managed working capital:**

The company's working capital operations are moderately intensive which is evident form the Gross current asset (GCA) days of 212 days as on March 31, 2022 as against 284 days in FY21. There is significant improvement in receivable days as they stood at 10 days as on March 31, 2022. Inventory days stood at 105 as on March 31, 2022. Generally, the company receives the bills within 30 days for highway projects. SLMI pays the raw material creditors within 0-30 days; certain portion of creditors pertain to expenses payable to sub-contractors resulting in creditor days of 110 days as of March 31, 2022. The moderate GCA cycle has led to moderate utilization of fund based limits at an average of 70 percent in the past 12 months ending FY22. In January 2023 the company has received enhancement of Rs.63Cr for BG.

### Weaknesses

#### **High Geographical and customer concentration risk on the revenue profile:**

Currently, SLMI has orders worth Rs.520.80Cr from ministry of road transport and highways, which are to be executed in the 12-36 months. 100% of the order book value pertaining to Telangana region which draws significant geographical concentration risk on the revenue profile of the company.

#### **Tender based nature of operations**

SLMI executes only tender based projects from government bodies with low reliance on subcontract work. The company remains exposed to inherent cyclicity in the construction industry and volatility in profits amid high fragmentation in the EPC segment.

### Rating Sensitivities

- Timely execution of its order book leading to substantial improvement in scale of operations while maintaining profitability margins over the medium term.
- Any significant delays in receivables from customers.

- Any deterioration in working capital cycle and liquidity profile of the company.

## Material covenants

None

## Liquidity Position : Adequate

Liquidity position of the company is adequate as the company has sufficient Net cash accrual (NCA's) against its debt repayment. The company has generated NCA's in the range of Rs.18.25Cr -10.51Cr ending FY22 against the debt repayments in the range of Rs.4.7Cr – Rs.0.36Cr ending FY22. The Current ratio of the company stood at 2.49 times as on March 31, 2022 against 2.95 times as on previous year. The company has unencumbered cash and bank balances of Rs.15.47Cr as on March 31, 2022. The bank Limits utilization stood moderately high at 70 percent in the past 12 months ending February 28, 2023.

Acuite believes that the company's liquidity position is likely to remain adequate in the medium term as the company has already generated NCA's of Rs.14.87Cr till March 31, 2023 (provisional) against estimated debt repayment of Rs.1.10Cr for the same period.

## Outlook: Stable

The outlook revision to 'Stable' is primarily driven by the significant improvement in the operating income and also presence of healthy order book providing medium term revenue visibility. The outlook may be revised to 'Negative' in case of company's inability to complete the orders on time resulting in low recovery, deterioration in operating margins and financial risk profile. Conversely, the outlook may be revised to 'Positive' in case of more than expected improvement in revenue, improvement in operating margins leading to improvement in debt protection metrics.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	128.97	91.15
PAT	Rs. Cr.	6.99	3.32
PAT Margin	(%)	5.42	3.64
Total Debt/Tangible Net Worth	Times	0.25	0.29
PBDIT/Interest	Times	5.69	3.76

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

SLMI's rating was flagged as Issuer not cooperating status with CRISIL Ratings, through its rating rationale dated May 17, 2022. The reason provided by CRISIL ratings is non-furnishing of information by SLMI.

## Any other information

None

## Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.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. 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
23 Feb 2022	Proposed Cash Credit	Long Term	2.00	ACUITE BBB-   Negative (Downgraded from ACUITE BBB   Stable)
	Cash Credit	Long Term	18.00	ACUITE BBB-   Negative (Downgraded from ACUITE BBB   Stable)
	Bank Guarantee	Short Term	62.00	ACUITE A3+ (Downgraded from ACUITE A2)
	Proposed Bank Guarantee	Short Term	10.00	ACUITE A3+ (Downgraded from ACUITE A2)
28 Oct 2020	Proposed Secured Overdraft	Long Term	5.00	ACUITE BBB   Stable (Assigned)
	Secured Overdraft	Long Term	15.00	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	52.00	ACUITE A2 (Assigned)
	Proposed Bank Guarantee	Short Term	20.00	ACUITE A2 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	74.00	ACUITE A3+   Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Katta Akhil Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:akhil.katta@acuite.in">akhil.katta@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.