

Press Release

SLR Construction Private Limited

November 20, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.14.00 Cr.
Long Term Rating	ACUITE BB-/Stable (Assigned)
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 14.00 crore bank facilities of SLR Construction Private Limited (SLRCPL). The outlook is '**Stable**'.

SLR Construction Private Limited was incorporated in 2006, by Mr. Shiv Kumar Bansal and his family, based in Delhi. The company is a class A civil contractor for CNG stations and buildings. Company is engaged into tender bases business where the company constructs work station/terminal in the pipeline project. All the projects are operated through GAIL (Gas Authority of India Limited), India's state-owned natural gas processing and Distribution Company.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SLRCPL to arrive at this rating.

Key Rating Drivers

Strengths

• Long track record of operations and experienced management

The company was incorporated in 2006 by Mr. Shiv Kumar Bansal having an operational track record of more than 15 years in the construction business. Company's primary line of business is the construction of building and houses. Mr. Shiv Kumar Bansal possesses an experience of more than two decades in the civil construction industry.

The extensive experience of the promoter has enabled the company to forge healthy relationships with its client. The company have 20 years long relationship with GAIL (Gas Authority of India Limited) which contributes the majority part of the total revenue. The company currently have an order book position of Rs.151.00 Crore and reported significant revenue growth with operating income of Rs.21.87 Crore in FY2020 (Provisional) as against operating income of Rs.21.49 crore in FY2019, Rs.15.07 crore in FY2018 and Rs.13.20 crore in FY2017. The increase in the revenues is mainly on account of increase in orders.

Acuite believes that the company will continue to benefit from its experienced management and long track record of operation in the civil construction industry.

• Moderate financial risk profile:

Company's financial risk profile has remained average marked by moderate net worth and average debt protection metrics. The net worth of the company stood at Rs.5.75 Crore as on 31 March 2020 (Provisional) as against Rs.5.11 Crore as on 31 March 2019. The gearing level (debt-equity) reduced to 0.75 times as on 31 March 2020 (Provisional) as against 1.08 times as on 31 March 2019. This is mainly due to low external borrowing during the year. The interest coverage ratio (ICR) stood at 6.09 times in FY2020 (Provisional) as against 1.94 times in FY2019 due to high EBITDA during the year. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.18 times in FY2020 (Provisional) as against 0.06 times in FY2019. Debt to EBITDA stood at 3.44 times in FY2020 (Provisional) as against 5.30 times in FY2019. This is mainly due to high EBITDA during the year.

Acuite believes the financial risk profile of the company will remain moderate backed by moderate net worth, low gearing and moderate interest coverage indicators in near to medium term.

Weaknesses

• Working capital intensive nature of operation

The working capital management of the company has stood intensive in FY2020 (Provisional) marked by high Gross Current Assets (GCA) of 239 days in FY2020 (Provisional) as against 255 days in FY2019. This is mainly due to high debtor's days. The inventory levels stood at 12 days in FY2020 (Provisional) as against 44 days in FY2019. The debtor days of the company stood at 178 days in FY2020 (Provisional) as against 177 days in FY2019. The increase in debtor is predominantly on account of last quarter project execution. Due to that, the bank limits are fully utilized for the last six months ending August 2020.

Acuite believes that the working capital requirements will continue to remain intensive over the medium term on account of high debtor's days and full utilization of bank limits.

• Competitive and fragmented nature of industry coupled with tender based business

The company is engaged as a civil contractor and the particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the company has to make a bid for such tenders on competitive prices; which may affect the profitability of the company. However, this risk is mitigated to an extent as the company is operating in this environment for the last fifteen years.

Outlook: Stable

Acuite believes that SLRCPL will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of stretched working capital cycle or deterioration in its financial risk profile due to higher than expected elongation in working capital management leading to higher reliance on external borrowings.

Material Covenant

None

Rating sensitivity

- Maintenance of operating levels and profitability margins
- Working capital intensive nature of operation

Liquidity position: Stretched

Company has stretched liquidity marked by low net cash accruals. The company generated cash accruals of Rs.0.79 Crore in FY2020 (Provisional). However, the debt maturity obligation for the same period is not significant, the cash accrual is insufficient to fund the capital expenditure, which are expected in near to medium term. Company's working capital operations are intensive marked by gross current asset (GCA) days of 239 days in FY2020 (Provisional). As a result, the bank limits are fully utilized for six months ending in August, 2020. The current ratio stands at 1.34 times as on 31 March 2020.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	21.87	21.49
PAT	Rs. Cr.	0.73	0.26
PAT Margin	(%)	3.33	1.20
Total Debt/Tangible Net Worth	Times	0.75	1.08
PBDIT/Interest	Times	6.09	1.94

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

None

Any other information

Not Applicable

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)

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.80	ACUITE BB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4 (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE BB-/Stable (Assigned)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Vice President - Corporate Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Aditya Singh Ratings Analyst - Rating Operations Tel: 011-49731303 aditya.singh@acuite.in</p>	<p>Varsha Bist Senior Manager – Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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