



Press Release
Suprada Constructions Private Limited
February 16, 2024

Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	100.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	300.00	ACUITE BBB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	400.00	-	-

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB**' (read as **ACUITE Triple B**) from '**ACUITE BBB-**' (read as **ACUITE t riple B minus**) on the Rs. 300.00 Cr. bank facilities of Suprada Constructions Private Limited (SCPL). The outlook is '**Stable**'.

Further, Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) on the Rs.100.00 Cr. bank facilities of Suprada Constructions Private Limited (SCPL). The outlook is '**Stable**'.

Rationale for upgrade

The rating upgrade considers the improvements recorded in SCPL's operating income, overall financial risk profile and working capital management in FY2023. The company's revenue grew to Rs.342.71 Cr in FY2023 as against Rs.185.71 Cr in FY2022 majorly due to increased execution of orders related to water supply, irrigation and underground drainage. However, the operating profitability moderated to 12.51% in FY2023 against 14.30% in FY2022 . The company further has a healthy unexecuted order book position of Rs. 1345.84 Cr as of 31st December 2023 reflecting revenue visibility over the medium term

The rating upgrade also factors in the moderate gearing levels which stood at (debt to equity) at 1.16 times as on March 31, 2023, and adequate liquidity position The working capital operations improved yet remained moderately intensive with GCA days of 128 days in FY2023 against 235 days in FY2022.

The rating, however, remains constrained due to SCPL's high reliance on fund based working capital limits geographically concentrated operations, exposure to risk related to intense competition with industrial cyclical and tender nature of business operations.

About the Company

About the Company SCPL was established initially as a partnership firm in 1982 under the name 'Suprada Constructions Company', by Mr. U Seetharam Shetty. It is based out of Dharwad district of Karnataka and is engaged in infrastructure development projects like drinking water projects, canal embankment, underground drainage, road development and construction of buildings for various government and private players.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SCPL for arriving at the rating.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

SCPL, a special-class civil contractor, has been into existence for more than three decades with its specialty in laying pipeline for water supply and sewerage under the central government-led scheme 'Jal Jivan Mission' (erstwhile known as National Rural Drinking Water Programme), majorly in the state of Karnataka. Mr. U Seetharam Shetty, the promoter of SCPL, is having 53 years of experience in the line of civil construction. With intent to bid for high value projects, 'Suprada Construction Company' (partnership firm) had been reconstituted into SCPL. SCPL has executed multiple orders which included construction work of water supply components, water supply and underground drainage systems, sports complex, bridges, series of residential school complexes, factories and manufacturing plants and others. With promoter's extensive industry experience and timely execution of past projects, SCPL has been able to establish a long-standing relationship with its suppliers and various government bodies.

Acuité believes that the promoter's extensive industry experience and established relation with its principal contractors and suppliers will aid SCPL's business risk profile over the medium term.

Improvement in operations and healthy order book

SCPL's scale of operations grew significantly, with revenue improving from Rs.185.71 Cr in FY2022 to Rs.342.71 Cr in FY2023 along with sustained operating margin of ~12-14 percent across last three years. The revenue growth and stable operating margins are attributable to continuous execution of order book and comparatively lower sub-contracting and focus on government funded high-margin yielding orders. The company has earned a revenue of ~Rs.307 Cr in 9MFY2024. The company has an unexecuted order book of Rs. 1345.84 Cr as of December 2023 providing adequate revenue visibility over the medium term. These orders are acquired from Rural Drinking Water & Sanitation Division. Further, the orders are concentrated in the state of Karnataka. The company executes orders for KUWS, RDWSD, Karnataka, and VJNL. 65% of the order book consists of water supply projects, 10-15% irrigation projects and remaining 10-15% underground drainage.

Acuité believes that SCPL's timely execution and billing of its unexecuted order book in hand will remain key rating sensitivity factor.

Moderate Financial Risk Profile

The financial risk profile of the firm stood moderate, marked by moderate net worth, improved gearing and moderate debt protection metrics. The tangible net worth stood at Rs.87.49 crore as on 31 March 2023 as against Rs.65.70 crore as on 31 March, 2022. The total debt of the company for FY2023 stood at Rs.101.14 crore which includes Rs.37.61 crore of long-term debt, Rs.59.20 crore of short-term debt, Rs.4.32 crore of unsecured loans as on 31 March, 2023. The gearing (debt-equity) improved to 1.16 times as on 31 March, 2023 as against 1.26 times as on 31 March, 2022. The improvement is also on account of healthy accretion to reserves. Interest Coverage Ratio stood at 3.45 times for FY2023 as against 2.40 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.58 times in FY2023 as against 1.31 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.04 times as on 31 March, 2023 as against 1.79 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.25 times for FY2023 as against 0.15 times for FY2022.

Acuité expects the company to maintain a moderate financial risk profile subject to continued generation of healthy cash accruals

Weaknesses

Moderately Intensive Working capital operations

The working capital operations of the company improved yet remained moderately intensive marked by GCA days of 128 days in FY2023 as against 235 days in FY2022. The working capital cycle is led by other current assets and debtors. The debtor days stood at 67 days in FY2023 as against 122 days in FY2022. The average credit period allowed to customers is 90-120 days. The creditor days stood at 61 days in FY2023 as against 80 days in FY2022. The average credit period allowed by suppliers is around 60 days. The inventory days stood at 31 days in

FY2023 as against 89 days in FY2022. The average inventory holding period is 45 days. The fund and non-fund-based limit utilization stood at 93 percent and 42 percent for the eight-month period ended October 2023.

Acuité believes, SCPL's ability to improve its working capital cycle will remain key monitorable.

Tender based nature of operations

SCPL executes only tender based projects from government & private players with no major reliance on sub-contract work. The business depends on the ability to bid for contracts successfully. SCPL has maintained a success rate of 30 to 40 percent in bidding. Tender based operations further limits pricing flexibility in an intensely competitive industry.

Significant geographical and segmental concentration in revenue profile

SCPL presently executes orders in the state of Karnataka thereby, leading to significant geographical concentration risk. Further, 65% of the order book consists of water supply projects, 10-15% irrigation projects and remaining 10-15% underground drainage leading to significant segmental concentration risk. The major thrust is on water supply scheme and irrigation works by the Government of Karnataka due to high budgetary allocations made apart from faster receivable realization. The company does not intend to diversify in the next 3-5 years since the central and state government is largely focused on improving water supply within the state through Jal Jivan Mission.

Rating Sensitivities

- Improvements in working capital cycle leading to low reliance on external borrowings and improved liquidity.
- Sustained growth in scale of operations while maintaining profitability.

Liquidity Position Adequate

The company's liquidity position is adequate marked by generation of sufficient net cash accruals against its maturing debt obligations. The company generated net cash accruals in the range of Rs.12.44-25.78 Crore from FY 2022- 2023 against its maturing debt obligations in the range of Rs.11.43-11.65 crore during the same period. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.44.77-56.14 crores against the maturing repayment obligations of around Rs.10.52-11.98 crore over the medium term. The working capital management of the company is moderately intensive marked by improved GCA days of 128 days in FY2023 as against 235 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.1.66 crore as of March 31, 2023. The current ratio stands at 1.20 times as on March 31, 2023 as against 1.22 times as of March 31, 2022. The fund and non-fund-based limit utilization stood at 93 percent and 42 percent for the eight-month period ended October 2023.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate net cash accruals generation against its maturity debt obligations.

Outlook: Stable

Acuité believes the company's outlook will remain 'Stable' over the medium term on account of experience of the management, long execution track record, healthy order book position, moderate non-fund-based limit utilization and moderate financial risk profile. The outlook may be revised to 'Positive' in case of substantial improvement in both revenue while maintaining margins and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the working capital cycle thereby adversely impacting the liquidity profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	342.71	185.71
PAT	Rs. Cr.	21.79	9.38
PAT Margin	(%)	6.36	5.05
Total Debt/Tangible Net Worth	Times	1.16	1.26
PBDIT/Interest	Times	3.45	2.40

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-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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Nov 2022	Bank Guarantee	Long Term	140.00	ACUITE BBB- Stable (Reaffirmed)
	Long Term	Long Term	4.57	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	28.00	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	1.63	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	2.60	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Long Term	35.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Term Loan	Long Term	0.20	ACUITE BBB- Stable (Reaffirmed)
	Proposed term loan	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Long Term	Long Term	0.39	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Reaffirmed)
	Long Term	Long Term	2.38	ACUITE BBB- Stable (Reaffirmed)
	Long Term	Long Term	0.03	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Guarantee	Long Term	40.00	ACUITE BBB- Stable (Assigned)
	Long Term	Long Term	2.07	ACUITE BBB- Stable (Reaffirmed)
	Long Term	Long Term	0.80	ACUITE BBB- Stable (Reaffirmed)
	Long Term	Long Term	2.33	ACUITE BBB- Stable (Reaffirmed)
	Proposed Term Loan	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	16.50	ACUITE BBB- Negative (Reaffirmed)
	Proposed Bank Guarantee	Long Term	15.00	ACUITE BBB- Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	1.63	ACUITE BBB- Negative (Assigned)
	Working Capital Term Loan	Long Term	3.90	ACUITE BBB- Negative (Reaffirmed)
	Proposed Term Loan	Long Term	6.37	ACUITE BBB- Negative (Assigned)
	Term Loan	Long Term	1.26	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	3.24	ACUITE BBB- Negative (Reaffirmed)
	Bank Guarantee	Long Term	90.00	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	4.05	ACUITE BBB- Negative (Reaffirmed)
		Long		ACUITE BBB- Negative

24 Jan 2022	Bank Guarantee	Term	15.00	(Reaffirmed)
	Proposed Term Loan	Long Term	0.19	ACUITE BBB- Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	0.43	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	3.34	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	0.31	ACUITE BBB- Negative (Reaffirmed)
	Working Capital Demand Loan	Long Term	2.30	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	0.68	ACUITE BBB- Negative (Reaffirmed)
	Proposed Term Loan	Long Term	0.12	ACUITE BBB- Negative (Reaffirmed)
	Proposed Bank Guarantee	Long Term	50.00	ACUITE BBB- Negative (Assigned)
	Proposed Bank Guarantee	Long Term	8.50	ACUITE BBB- Negative (Assigned)
	Cash Credit	Long Term	23.00	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	0.52	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	0.16	ACUITE BBB- Negative (Reaffirmed)
	Proposed Cash Credit	Long Term	3.50	ACUITE BBB- Negative (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB Stable Assigned
Canara Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	140.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	57.68	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.32	ACUITE BBB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.24	ACUITE BBB Stable Upgraded (from ACUITE

								BBB-)
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2026	Simple	2.38	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Sep 2024	Simple	1.18	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Jul 2028	Simple	4.57	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Aug 2025	Simple	1.28	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2024	Simple	0.20	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
SVC Co-Op Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jan 2027	Simple	0.51	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Jul 2030	Simple	0.03	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Jul 2028	Simple	12.83	ACUITE BBB Stable Assigned
Bank of Baroda	Not avl. / Not	Term Loan	Not avl. / Not appl.	Not avl. / Not	10 Jul 2030	Simple	0.69	ACUITE BBB Stable

	appl.			appl.				Assigned
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Jul 2028	Simple	4.88	ACUITE BBB Stable Assigned
SIRSI URBAN SAHAKARI BANK LIMITED	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	21 Jan 2033	Simple	8.28	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Oct 2027	Simple	1.63	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Canara Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2024	Simple	1.30	ACUITE BBB Stable Upgraded (from ACUITE BBB-)

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About Acuité Ratings & Research

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