

Press Release

SVS Mookambika Constructions Private Limited

April 06, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.46	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	15.50	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	17.54	-	ACUITE A3 Assigned
Bank Loan Ratings	35.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	85.50	-	-

Rating Rationale

Acuite has reaffirmed and assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE three**) on the Rs.85.50 Cr. bank facilities of SVS MOOKAMBIKA CONSTRUCTIONS PRIVATE LIMITED (SVSMC). The outlook is '**Stable**'.

Rationale for the rating

The rating is based on the stable operating performance of the company in the current year 11MFY2023 and moderate financial risk profile. The company generated a revenue of Rs.164.63 crore in 11MFY2023 (Provisional) as against revenue of Rs. 122.08 crore in FY2022. The reaffirmation also factors in the healthy order book position providing near to medium term revenue visibility as the order book stood at Rs.503.54 crore as on February 2023 which is expected to be executed by 2025. However, the rating remains constrained on account of the working capital intensive nature and tender based nature of operations.

About the Company

Andhra Pradesh based, SVS Mookambika Constructions Private Limited (SVSMC), was incorporated in the year 2009, by Mr. M. Satyanarayana Raju, who has more than 3 decades of experience in civil construction business. SVSMC undertakes civil construction activities primarily of Roads, Buildings, Bridges, Drains and such other allied activities for various government bodies like Ministry of Road Transport & Highways (MORTH), National Highway Authority of India (NHAI), Roads & Buildings (R&B), Public Works Department (PWD), Nabard, Panchayath Raj, Misc. Private Works. SVSMC, a Special Class Civil Contractor, is registered with NHAI, R&B, Panchayatraj, APIIC, Agricultural University of Andhra Pradesh and R&B, Panchayatraj of Orissa & PWD of Karnataka States.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SVSMC to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management; established track record of operations and healthy order book position providing medium term revenue visibility

SVSMC is promoted by Mr. Satyanarayana Raju, who has more than 3 decades of experience in civil construction business. SVSMC is a special class contractor and undertakes civil construction activities primarily of Roads, Buildings, Bridges, Drains and such other allied activities for various government bodies like Ministry of Road Transport & Highways (MORTH), National Highway Authority of India (NHAI), Roads & Buildings (R&B), Public Works Department (PWD), Nabard, Panchayath Raj, Misc. Private Works. Promoters' extensive experience and past track record of completion of projects has helped the company in directly bidding the government projects and not relying on sub contract works. SVSMC has outstanding order book of Rs.503.54 crore as on February 2023 to be executed till 2025 providing near to medium term revenue visibility

Acuité believes that the promoter's extensive industry experience will continue to support SVSMC's business risk profile over the medium term.

Stable Operating Performance

The operating performance of the company remained stable as the company generated a revenue of Rs.164.63 crore in 11MFY2023 (Provisional) as against revenue of Rs. 122.08 crore in FY2022. Also, the profitability remained stable as the operating margin of the company stood at 13.34% for 11MFY2023 (Provisional) as against 13.14 for FY2022 and the profit after tax margin stood at 5.01% for FY2022 as against 5.04% for FY2022.

Acuité believes that the revenue and profitability margins of the company is expected to remain stable backed by its healthy order book position over the medium term.

Moderate Financial Risk profile

The financial risk profile of the company is moderate marked by moderate network, low gearing and healthy coverage ratio. The tangible net worth of the company stood at Rs.36.75 crore as on March 31, 2022 as against Rs.30.92 crore as on March 31, 2021. The company follows a moderate leverage policy as reflected in its peak gearing level of 1.30 times for FY2022 as against 0.90 times for FY2021. The coverage ratios of the company remained healthy with interest coverage ratio of 4.10 times for FY2022 as against 3.05 times for FY2021. The debt service coverage ratio stood at 1.41 times for FY2022 as against 2.69 times for FY2021.

Acuité believes that the financial risk profile of the company is expected to remain moderate over the medium term on account of stable accretion to reserves.

Weaknesses

Working capital intensive nature of operations

The operations of the company are of working capital intensive nature and are marked by GCA of 272 days for FY2022 as against 204 days for FY2021. The GCA days are high on account of the nature of the business as the inventory days are high and stood at 140 days for FY2022 as against 93 days for FY2021. However, out of the total inventory, 40-50% is work-in-progress at any point of time. The debtor days stood at 82 days for FY2022 as against 33 days for FY2021, the debtor days are high as the amount of debtors includes the retention money. Further, the creditor days stood at 183 days for FY2022 as against 114 days for FY2021 as the company has back-to-back arrangement with its suppliers. The average utilisation of the fund

based working capital limits is 83.72 percent for nine months ended February 2023 and of the non-fund based working capital limits is 63.27 percent for nine months ended February 2023.

Acuité believes that the operations of the company will continue to remain working capital intensive over the medium term on account of slightly high GCA days.

Tender based nature of operations

The operations of the company are of tender based nature and this industry has presence of several mid to big size players. The company, thus, faces intense competition from other players and is dependent on successful bidding of the tenders. Going ahead the company's ability to successfully bid for greater number of large order will remain a key monitoring factor.

Rating Sensitivities

- Elongation in working capital management
- Significant and sustained growth in the scale of operation while maintaining the profitability margin and capital structure

Material covenants

None

Liquidity Position

Adequate

The liquidity position of SVSMC is adequate marked by adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.10.16 crore in FY2022 as against the repayment of Rs.6.04 crore for the same period. Going ahead, the net cash accruals is expected to be in the range of Rs. 14.95-18.87 crore and maturing debt obligations in the range of Rs.5.80-7.78 crore. The company has unencumbered cash and bank balances of Rs.0.39 crore as on March 31, 2022. The current ratio of the company stood at 1.52 times as on 31 March, 2022. The average utilisation of the fund based working capital limits is 83.72 percent for nine months ended February 2023 and of the non-fund based working capital limits is 63.27 percent for nine months ended February 2023.

Outlook: Stable

Acuité believes that SVSMC will continue to benefit over the medium term due to its experienced management and healthy order book providing revenue visibility. The outlook may be revised to 'Positive', in case of timely execution of its unexecuted order book leading to higher-than-expected revenues and profitability with improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case SVSMC registers lower-than-expected revenues and profitability or any significant stretch in its working capital management, leading to the deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	122.08	90.03
PAT	Rs. Cr.	6.15	3.78
PAT Margin	(%)	5.04	4.20
Total Debt/Tangible Net Worth	Times	1.30	0.90
PBDIT/Interest	Times	4.10	3.05

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

India Ratings vide its press release dated 9/9/2023, had reaffirmed the company to IND D/D; INC

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, 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Jun 2022	Proposed Bank Guarantee	Short Term	9.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	12.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Bank Guarantee	Short Term	17.00	ACUITE A3 (Upgraded from ACUITE A4+)
25 Jan 2022	Cash Credit	Long Term	12.50	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Proposed Bank Guarantee	Short Term	9.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	9.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	17.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
24 Dec 2020	Proposed Bank Guarantee	Short Term	15.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	9.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	14.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	12.50	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A3 Reaffirmed
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE A3 Reaffirmed
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A3 Assigned
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE A3 Assigned
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE BBB- Stable Assigned
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.50	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A3 Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	6.04	ACUITE A3 Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.46	ACUITE BBB- Stable Assigned

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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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