



Press Release
SVS Mookambika Constructions Private Limited
July 04, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	46.86	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	30.00	-	ACUITE A3 Assigned
Bank Loan Ratings	38.64	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	115.50	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.85.50 Cr. bank facilities of SVS Mookambika Constructions Private Limited (SVSMC). The outlook remains '**Stable**'.

Further, Acuite has assigned the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 30 Cr. bank facilities of SVS Mookambika Constructions Private Limited (SVSMC).

Rationale for the rating

The rating reaffirmation considers SVSMC's stable operating performance and its moderate financial risk profile. The company generated a revenue of Rs.217.89 crore in FY2024 (Provisional) as against revenue of Rs. 171.63 crore in FY2023. It has an outstanding order book position of Rs.297 Cr. as of June 2024, reflecting revenue visibility over the near to medium term. The rating further reflects the moderate financial risk profile marked by moderate networth, low gearing and healthy coverage indicators.

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.

Unsupported Rating

Not applicable

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.

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 revenue of the company stood at Rs. 171.63 crore in FY2023 as against the revenue of Rs. 122.08 crore in FY2022. Further, the revenue of the company stood at Rs. 217.89 crore for FY2024(Prov.). The increase in revenue is on account of higher execution of work orders. The operating profit margin of the company stood at 14.45% for FY2023 as against 13.14% for FY2022. The operating profit margin for FY2024(Prov.) is 15.14%. The PAT margin is 5.64% for FY2023 as against 5.04% for FY2022 and the PAT margin for FY2024(Prov.) stood at 6.12%. Further, the company has outstanding order book position of Rs. 297.33 Cr. as of June 2024, reflecting moderate revenue visibility over the near 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.61.43 crore as on March 31, 2024(Prov) against Rs.46.22 crore as on March 31, 2023 and Rs.36.75 crore as on March 31, 2022. The company follows a moderate leverage policy as reflected by its gearing level of 1.26 times in FY2024(Prov) against 1.54 times in FY2023 and 1.30 times in FY2022.

The coverage ratios of the company remained healthy with interest coverage ratio of 3.32 times for FY2024(Prov) against 3.77 times for FY2023 and 4.10 times for FY2022. The debt service coverage ratio stood at 1.87 times for FY2024(Prov) against 1.74 times for FY2023 and 3.53 times for FY2022.

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 Management

The operations of the company are of working capital intensive nature and are marked by GCA of 289 days for FY2023 as against 272 days for FY2022 and 251 days for FY24(Provisional). The GCA days are high on account of the nature of the business as the inventory days are high and stood at 193 days for FY2023 as against 140 days for FY2022. However, out of the total inventory, 40-50% is work-in-progress at any point of time. The debtor days stood at 94 days for FY2024(Prov) against 92 days for FY2023 as against 82 days for FY2022. The amount of debtors includes retention money. Further, the creditor days stood at 101 days in FY2024(Prov) against 186 days for FY2023 and 183 days for FY2022. The average utilisation of working capital limits is 83.63 percent for twelve months ended March 2024.

Acuité believes that the operations of the company will continue to remain working capital intensive over the medium term on account of nature of industry.

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

- Any significant elongation in working capital operations leading to stretch in liquidity.
- Significant and sustained growth in the scale of operation while maintaining the profitability margin and capital structure

Liquidity Position Adequate

The liquidity position of SVSMC is adequate marked by generation of sufficient net cash accruals to service its debt obligations. The net cash accruals stood at Rs.18.66 crore in FY2024(Prov) as against the repayment of Rs.5.32 crore for the same period. Going ahead, the net cash accruals is expected to be in the range of Rs. 25-33 crore and maturing debt obligations in the range of Rs.5.30-6.39 crore over the medium term. The company has unencumbered cash and bank balances of Rs.1.45 crore as on March 31, 2024(Prov). The current ratio of the company stood at 1.54 times as on 31 March, 2024. The average utilisation of working capital limits remained moderately high at 83.63 percent for twelve months ended March 2024.

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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	217.89	171.63
PAT	Rs. Cr.	13.33	9.68
PAT Margin	(%)	6.12	5.64
Total Debt/Tangible Net Worth	Times	1.26	1.54
PBDIT/Interest	Times	3.32	3.77

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
06 Apr 2023	Cash Credit	Long Term	12.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	12.50	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.46	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	4.50	ACUITE BBB- Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	9.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	11.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	17.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	0.50	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	9.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	6.04	ACUITE A3 (Assigned)
30 Jun 2022	Cash Credit	Long Term	12.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Proposed Bank Guarantee	Short Term	9.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Bank Guarantee/Letter of Guarantee	Short Term	17.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Bank Guarantee/Letter of Guarantee	Short Term	9.00	ACUITE A3 (Upgraded from ACUITE A4+)
25 Jan 2022	Proposed Bank Guarantee	Short Term	9.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	17.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	9.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	12.50	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Cash Credit	Long Term	3.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A3 Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.50	ACUITE A3 Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A3 Assigned
Punjab National Bank	Not avl. / Not appl.	Cash Credit	31 Oct 2023	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	06 Dec 2022	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.50	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	19 Feb 2024	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2026	Simple	3.90	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.14	ACUITE A3 Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	19 Feb 2024	Not avl. / Not appl.	30 Nov 2028	Simple	0.46	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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