

Press Release
SPR Constructions
 January 05, 2021
Rating Assigned



Total Bank Facilities Rated*	Rs.30.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A3**) on the Rs.30.00 Cr bank facilities of SPR Constructions. The outlook is '**Stable**'.

About the firm

Established in 2005, SPR Constructions (SPRC) is engaged in executing turnkey projects in the power sector where it lays down transmission and distribution lines and constructs power substation. The firm is headed by Mr. S.Ramamohan Reddy and Mrs. S. Suneetha. Mr. S.Ramamohan Reddy had started their construction activities in the form of a proprietorship firm 2003 and the constitution was changed in 2005 under its current name.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of SPRC to arrive at the rating.

Key Rating Drivers

Strengths

- **Long operational track record and experienced management**

Mr. S. Ramamohan Reddy started a proprietorship firm in 2003. The firm started with laying transmission and distribution lines. The constitution was subsequently changed in 2005. The long standing experience of the partners and long track record of operations has helped them to establish comfortable relationships with their key suppliers. On the customer front, they worked for reputed clientele like Karnataka Power Transmission Corporation Limited (KPTCL), Bangalore Electricity Supply Company Limited (BESCOM), Hubli Electricity Supply Company Limited (HESCOM) and Madhya Pradesh State Electricity Board (MPSEB).

- **Healthy growth in revenue and moderate order book position**

SPR Constructions has achieved revenues of Rs.86.92 Cr in FY2020 (provisional) as compared to revenue of Rs.51.55 Cr in FY2019 and Rs.51.69 Cr in FY2018, thereby registering a 2 years CAGR of 29.68 per cent. The growth in top line is on account of better order flow and execution apart from boost in the power infrastructure sector. The firm has achieved revenues of around Rs.23.46 Cr till 30th September 2020 (provisional). In addition to this, the firm has a moderate order book position to the tune of Rs.119 Cr as on 31st October, 2020. Acuité believes that the healthy order book position of the firm provides comfortable revenue visibility over the medium term.

- **Above average financial risk profile**

The firm's above average financial risk profile is marked by improving networth, comfortable gearing and strong debt protection metrics. The tangible net worth of the firm increased to Rs.10.22 Cr as on March 31, 2020 (provisional) from Rs.7.89 Cr as on March 31, 2019. Gearing of the firm stood low below unity at 0.32 times as on March 31, 2020 (provisional) as against 0.21 times as on March 31, 2019. The debt of Rs.3.30 Cr consists of working capital from the bank of Rs.3.22 Cr, and current maturity of term loan of Rs.0.09 Cr as on March 31, 2020 (provisional). The strong debt protection metrics of the firm is marked by Interest Coverage Ratio (ICR) at 4.56 times as on March 31, 2020 (provisional) and Debt Service Coverage Ratio (DSCR) at 3.00 times as on

March 31, 2020 (provisional). Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.59 times as on March 31, 2020. Acuite believes that going forward the financial risk profile of the firm will remain above average over the medium term, in the absence of any major debt funded capex plans.

Weakness

- Working capital intensive nature of operation**

The working capital intensive nature of operation of the firm is marked by high Gross Current Assets (GCA) of 124 days on 31st March 2020 (provisional) as compared to 158 days on 31st March 2019. The high GCA days are on account of moderately high debtor period and high current assets due to retention money & security deposits. The debtor period stood moderate at 90 days on 31st March 2020 (provisional) as compared to 104 days on 31st March 2019. However, the inventory holding is low at 2 days on 31st March 2020 (provisional) as compared to 4 days as on 31st March 2019. Acuite believes that the working capital operations of the firm will remain at the same levels as evident from efficient collection mechanism and low inventory levels over the medium term.

- Competitive and fragmented industry**

The power infrastructure sector is marked by the presence of several mid to big size players. The firm faces intense competition from the other players in the sectors. However, this risk is mitigated to an extent on account of the experience of the management and well established presence in its terrain.

Rating Sensitivity

- Sustainability in their growth in scale of operations while maintaining profitability margin
- Reduction in order flow

Material Covenant

None

Liquidity Profile: Adequate

The firm's liquidity is adequate marked by steady net cash accruals of Rs.1.94 Cr as on March 31, 2020 (provisional) as against long term debt repayment of Rs.0.09 Cr over the same period. The current ratio stood comfortable at 1.39 times as on March 31, 2020 (provisional) as compared to 1.45 times as on March 31, 2019. The fund based limit remains utilised at 75 per cent over the twelve months ended October, 2020. The firm has availed loan moratorium, but not applied for additional covid loan. The cash and bank balances of the firm stood at Rs.0.15 Cr as on March 31, 2020 (provisional) as compared to Rs.0.13 Cr as on March 31, 2019. However, the working capital intensive nature of operation of the firm is marked by high Gross Current Assets (GCA) of 124 days on 31st March 2020 (provisional) as compared to 158 days on 31st March 2019. Acuite believes that going forward the firm will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuite believes that the outlook on SPRC will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	86.92	51.55
PAT	Rs. Cr.	1.79	0.76
PAT Margin	(%)	2.06	1.47
Total Debt/Tangible Net Worth	Times	0.32	0.21
PBDIT/Interest	Times	4.56	3.05

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto 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	4.00	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3 (Assigned)
Proposed facility	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3 (Assigned)

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About Acuité Ratings & Research

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