



**Press Release**  
**SRINIVASA EDIFICE PRIVATE LIMITED**  
**September 21, 2023**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.00	ACUITE BBB   Stable   Upgraded	-
Bank Loan Ratings	128.00	-	ACUITE A3+   Upgraded
Total Outstanding Quantum (Rs. Cr)	150.00	-	-

**Rating Rationale**

Acuite has upgraded its long term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and its short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on Rs.150Cr bank facilities of Srinivasa Edifice Private Limited (SEPL). The outlook is '**Stable**'.

**Rationale for rating upgrade:**

The rating upgrade considers Srinivasa Edifice Private Limited's (SEPL's) growth in operations during FY23 and expectation of the same being sustained over the medium term. SEPL has reported revenue of Rs.251Cr during FY23 (Prov.) against Rs.215.92Cr of previous year's. SEPL has an outstanding order book of Rs.680Cr as on March 31, 2023 providing revenue visibility over the medium term. Further to this the company has reported revenue of ~Rs.190Cr during first 5 months of FY24. The growth in revenue is mainly on account of timely execution of orders from Railways and Ministry of Highways supported by delay in monsoon during the Q1FY24. The EBITDA margins stood at 12.68 percent during FY23 (Prov.) and the company is expected to report similar margins for FY24 as the company has advantage of availability of raw material (ballast) for its road construction segment captively.. The financial risk profile remained comfortable despite infusion of long term debt during FY23. Going forward the company's ability in sustaining its growth in operating income while maintaining its current operating margin levels and capital structure will be a key monitorable.

**About the Company**

Vijayawada based, Srinivasa Edifice Private Limited (SEPL) was incorporated in the year 1984 by Mr. Venkata Krishna Mohan Yelamanchi, who is the managing director of the company and possess more than 3 decades of experience in civil construction works. The day to day operations of the company are managed by his son Mr. Yelamanchi Venkata Man Mohan. The company is engaged in supplying of ballasts to Indian railways and also engaged in road and rail contract works. The company is involved in execution of contract works for government departments such as Roads & Buildings department (R&B), irrigation department of Andhra Pradesh, Panchayat Raj, municipal corporations, Rail Vikas Nigam Limited, Ministry of Road Transport & Highways (MORTH), National Highway Authority of India (NHAI).

**Analytical Approach**

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

## Key Rating Drivers

### Strengths

#### **Established track record of operations and healthy order book position providing medium term revenue visibility:**

SEPL is promoted by Mr. Venkata Krishna Mohan Yelamanchi, who has more than 3 decades of experience in civil construction business. SEPL is a special class contractor and undertakes civil construction activities primarily engaged in supplying of ballast to Indian railways and road and rail contract works. The company is involved in execution of contract works for government departments such as Roads & Buildings (R&B) department, irrigation department of Andhra Pradesh, Panchayat Raj, municipal corporations, Rail Vikas Nigam Limited, Ministry of Road Transport & Highways (MORTH), National Highway Authority of India (NHAI). Promoters' extensive experience and established track record of operations and past track record of completion of projects has helped the company in bidding and awarding the government projects. Currently, SEPL has an unexecuted order book position of Rs.680 Cr as on June 30, 2023 to be executed in 12-24 months which is ~2.7 times of FY23 revenue providing adequate revenue visibility over the medium term..

#### **Stable growth in operations with range bound operating margins:**

The scale of operations of the company have been improving over the period. The revenues stood at Rs.251.90 Cr in FY23(Prov.) against Rs.215.29Cr in FY22. The growth in revenue is on account of presence of healthy order book throughout the year. EBITDA margins are in the range of 10-12 percent during the past 3 years. During FY23 (Provisionals) the company has reported EBITDA margin of 12.68 against 10.43 percent during FY22. Improvement in EBITDA margin is on account of execution of National highway works and cost efficiencies due to availability of key raw material i.e ballast in-house.

SEPL has reported revenue of Rs.164Cr during the first 5 months of FY24 (April to August) and expected to register revenue in the range of Rs.350-375Cr by the end of FY24. This significant growth in revenue is mainly on account of timely execution of the Railway and National highway works. Delayed monsoon has helped in timely execution of the works during the first 4-5 months of FY24. Operating margins are expected to be around 12.5 to 13 percent for FY24 as the company has an advantage of cost control through supply of its own ballast for the highway works.

#### **Moderate Financial risk profile:**

The financial risk profile of the company has remained moderate with moderate capital structure and debt protection metrics. The net worth of the company stood at Rs.61.89 Cr and Rs.49.91 Cr as on March 31, 2023(Prov.) and 2022 respectively. Improvement in net worth is primarily on account of accretion of profits to the reserves and infusion of equity capital of Rs.2.20 Cr during the year. The gearing of the company remained healthy over the last 2 years, SEPL's gearing marginally deteriorated, as it rose to unity as on March 31, 2023(Prov) against 0.80 times of previous year. The deterioration is due to increase in long term debt. The company availed long term debt of Rs.30 Cr in FY2023 towards procurement of equipment. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 3.46 times and 1.63 times as on March 31, 2023(Prov.) respectively as against 3.19 times and 1.06 times as on March 31, 2022 respectively. The improvement in debt protection metrics is on account of improved EBITDA during FY23. TOL/TNW stood at 1.52 times and 1.40 times as on March 31, 2023(Prov.) and 2022 respectively. The debt to EBITDA of the company stood at 1.74 times as on 31 March, 2023(Prov.) as against 1.72 times as on 31st March, 2022.

### Weaknesses

#### **Moderate Working capital management:**

The working capital management of the company remained moderate with moderate GCA

days at 129 days as on March 31, 2023(Prov.) as against 112 days as on March 31, 2022. Inventory days stood at 47 days as on 31st March, 2023(Prov) as against 13 days as on 31 March, 2022. Inventory majorly consist of work-in-progress. Subsequently, the payable period stood at 88 days as on 31st March, 2023(Prov.) as against 133 days as on 31st March, 2022 respectively. The debtor day stood at 39 days as on 31<sup>st</sup> March, 2023(Prov.) as against 72 days as on 31<sup>st</sup> March, 2022. Further, the average bank limit utilization in the last six months ended June, 23 remained at ~89 percent for fund based and 57 percent for non-fund based. Acuite believes that working capital operations of the company will remain moderately intensive over the medium term.

### **Tender based nature of operations and Competitive and fragmented industry**

SEPL participates in tenders w.r.t work related to Indian Railways. No Earnest Money Deposit (EMD) or Bank Guarantee (BG) to be submitted while quoting the tender. Once the tender is awarded, 1 percent of the performance guarantee is to be submitted. After allocating the work to the company, it is eligible for 5 percent mobilization advance and 5 percent machinery advance. In ballast segment supply, a depo will be called for a tender for 3 to 4 years for supplying of 3 lakh cubic metres of ballast supply. After raising the bill, the company receives payment in a week after deducting 5 percent as retention money, this is to ensure that the party will be supplying the tender quantity over the remaining period of time. This retention money is released at the time of last bill raised. Whereas for the road and railway works; 7.50 percent is held by the authority. 5 percent is released at the time of last bill and 2.50 percent after the defective liability period. The company is engaged as a civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts. However, this risk is mitigated to an extent as the promoter has been operating in this industry for the last 3 decades.

### **Rating Sensitivities**

- > Sustaining the growth in revenue and profitability margins while maintaining the capital structure
- > Elongation in working capital cycle leading to deterioration in liquidity position

### **All Covenants**

None

### **Liquidity Position: Adequate**

SECPL has adequate liquidity which is evident from the sufficient Net cash accruals (NCA) to meet its debt repayment obligations. The company has reported NCA's of Rs. 20.67Cr as on March 31, 2023(Prov) against repayment obligations of Rs.8.75Cr for equipment loans for the same period. These loans are expected to be repaid by FY26. Bank limits were utilized in the range of 85-90 percent during the past 6 months ending June 30, 2023. Further to this, the gross current assets days stood at 129 days during FY23. The company has unencumbered cash and bank balances of Rs.5.26 Cr which provides additional comfort towards liquidity. Going forward, the liquidity is expected to be adequate with net cash accruals in the range of Rs 30-40 Cr over FY24-26 with expected repayment obligations in the range of Rs.8-9Cr.

### **Outlook: Stable**

Acuite believes that SEPL 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 SEPL registers

lower-than-expected revenues and profitability or any higher than expected infusion of long term debt leading to the deterioration of its financial risk profile and liquidity.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	251.90	215.29
PAT	Rs. Cr.	11.98	4.71
PAT Margin	(%)	4.75	2.19
Total Debt/Tangible Net Worth	Times	1.00	0.80
PBDIT/Interest	Times	3.46	3.19

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Jun 2022	Cash Credit	Long Term	14.00	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	78.25	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	7.75	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A3 (Reaffirmed)
	Proposed Cash Credit	Long Term	20.00	ACUITE BBB-   Stable (Reaffirmed)
18 May 2021	Bank Guarantee	Short Term	7.75	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	14.00	ACUITE BBB-   Stable (Assigned)
	Proposed Bank Facility	Short Term	78.25	ACUITE A3 (Assigned)
	Proposed Cash Credit	Long Term	20.00	ACUITE BBB-   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
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A3+   Upgraded
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	31.50	ACUITE A3+   Upgraded
Karur Vysya Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A3+   Upgraded
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	28.00	ACUITE A3+   Upgraded
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB   Stable   Upgraded
Karur Vysya Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB   Stable   Upgraded
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE BBB   Stable   Upgraded
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BBB   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	8.50	ACUITE A3+   Upgraded



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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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