



**Press Release**  
**SAIPAVANI CONSTRUCTIONS INDIA PRIVATE LIMITED**  
**December 27, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	44.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable	-
Bank Loan Ratings	66.00	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	110.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and its short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 110.00 Cr. bank facilities of SAIPAVANI CONSTRUCTIONS INDIA PRIVATE LIMITED (SPCPL). The outlook revised from '**Negative**' to '**Stable**'.

**Rationale for rating reaffirmation and outlook revision:**

The reaffirmation and revision in outlook takes into account significant improvement in scale of operations, improvement in the financial risk profile and liquidity. The revenues stood at Rs.366.75 Cr in FY2023 with YOY growth of 33.92 percent as against Rs.273.86 in FY2022. Gearing improved to 1.07 times in FY2023 from 2.09 times in FY2022 to 1.07 times in FY2023, Debt – EBTIDA to 1.67 times in FY2023 from 3.29 times in FY2022. TOL/TNW improved to 4.17 times in FY2023 from 6.27 times in FY2022. Moderate improvement in the liquidity profile with increase in NCA to 31.13 Cr in FY2023 from 21.93 Cr in FY2022. The outlook revision also factors the improved working capital cycle in FY2023 as compared to FY2022. The GCA days stood at 295 days as on March 31, 2023 as against 327 days as on March 31, 2022.

The rating reaffirmation takes into account its experienced promoters, healthy order book position and moderate financial risk profile. SPCPL currently has an outstanding order book value of Rs.992.67 Cr which is to be executed in the next 24-36 months. These strengths are partially constrained by the working capital intensive nature of operations and susceptibility of tender-based nature operations.

**About the Company**

Hyderabad-based, Sai Pavani Constructions India Private Limited (SPCPL) was established as a proprietorship in 1990 by Mr. Duggi Reddy and later reconstituted to private limited company in the year 2006. The company undertakes civil construction activities primarily of Roads, Irrigation works, Buildings, Bridges, Drains and such other allied activities. The company is registered as a 'Special Class' contractor for the state of Andhra Pradesh and Telangana state governments and is registered as a 'Class-I' contractor for Karnataka state government.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuité has considered the standalone business and financial risk profile of SPCPL 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**

SPCPL is promoted by Mr. Duggi Reddy, who has more than 3 decades of experience in civil construction business. SPCPL is registered as a 'Special Class' contractor for the state of Andhra Pradesh and Telangana state governments and is registered as a 'Class-I' contractor for Karnataka state government. 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 especially, SPCPL being one of the major contractor for the prestigious project of Telangana Government i.e., Yadagirigutta Narasimha Swamy Temple — now Yadadri. While most of the projects are from Government of Telangana, Andhra Pradesh, and Karnataka, the company ensures that it bids and executes only funded projects. Acuité believes that the promoter's extensive industry experience will aid SPCPL's business risk profile over the medium term

- **Improvement in operations and healthy order book**

SPCPL's scale of operations is moderate, with revenue improving from Rs.366.75 Cr in FY2020 to 273.86 Cr in FY2022 along with sustained operating margin of ~11 to 12 percent across all years. The revenue growth is on account of continuous execution of its order book while improvement in margins is attributable to a comparatively lower sub contracting and focus on government funded high-margin yielding orders. The company has an unexecuted order book position of Rs.992.67 Cr as on November 30, 2023 which is 2.73 times of FY2023 revenue. This provides strong revenue visibility for the next 1-2 years. Out of the aforementioned order book, the company is planning to execute Rs.400-450 Cr in next one years..Acuité believes that the revenue is expected to improve backed by its healthy order book position and profitability margins are expected to remain satisfactory over the medium term.

- **Moderate financial risk profile**

The company's financial risk profile is marked by a moderate net worth, gearing and moderate debt protection metrics. The net worth of the company stood at Rs.78.56 Cr and Rs.53.21 Cr as on March 31, 2023 and 2022 respectively. Improvement in the net worth is on account of accretion of reserves and infusion of capital of Rs. 6 Cr. The gearing of the company improved and stood at 1.07 times as on March 31, 2023 against 2.09 times as on March 31, 2022. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 4.11 times and 3.54 times as on March 31, 2023 respectively as against 4.97 times and 3.62 times as on March 31, 2022 respectively. TOL/TNW (Total outside liabilities/Total net worth) stood at 4.17 times and 6.27 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the company stood at 1.67 times as on March 31, 2023 as against 3.29 times as on March 31, 2022. Acuité believes that the financial risk profile of the company is expected to remain moderate over the medium term on account of moderate cash accruals and no significant debt-funded capex plans.

### Weaknesses

- **Working capital intensive operations**

SPCPL's operations are working capital intensive operations marked by gross current assets (GCA) days at 295 days as on March 31, 2023 as against 327 days as on March 31, 2022. Inventory days stood at 49 days as on March 31, 2023 as against 66 days as on March 31, 2022. The debtor day stood at 58 days as on March 31, 2023 as against 99 days as on March 31, 2022. Subsequently, the payable period stood at 275 days as on March 31, 2023 as against 326 days as on March 31, 2022 respectively. Further, the average bank limit utilization in the last twelve months ended November, 2023 remained at 90 percent for fund based limits and 40 percent for non-fund based.

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

SPCPL executes majorly tender-based projects from state government. Once the tender is allotted, EMD of ~1-2.5 per cent is deposited along with the performance guarantee. Since, the nature of operations is tender based, the business depends on the ability to bid for contracts successfully. SPCPL's revenue and profitability are susceptible to risks inherent in contract based operations. Also, Tender based operations limit pricing flexibility in an intensely competitive industry. 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 and geographical diversification.

### **Rating Sensitivities**

- Any further deterioration in working capital management leading to deterioration in financials risk profile and liquidity
- Lower-than-expected revenue or profitability leading to lower net cash accruals

### **All Covenants**

None

### **Liquidity Position: Adequate**

The company has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.31.13 Cr in FY2023 as against the repayment of Rs.9.11 Cr for the same period and expected to generate cash accruals in the range of Rs.28-32 Cr. against CPLTD of Rs.8- 9 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 2.51 Cr as on March 31, 2023. The current ratio of the company stood at 1.15 times as on March 31, 2023. Further, the average bank limit utilization in the last twelve months ended November, 2023 remained at 90 percent for fund based limits and 40 percent for non-fund based. Acuité believes that SPCPL liquidity will remain sufficient over the medium term backed by repayment of its debt obligations and improving accruals.

### **Outlook: Stable**

Acuité believes that SPCPL 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 SPCPL registers lower-than-expected decline in 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	366.75	273.86
PAT	Rs. Cr.	22.35	16.76
PAT Margin	(%)	6.09	6.12
Total Debt/Tangible Net Worth	Times	1.07	2.09
PBDIT/Interest	Times	4.11	4.97

### 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Sep 2022	Cash Credit	Long Term	10.00	ACUITE BBB-   Negative (Assigned)
	Proposed Long Term Loan	Long Term	6.32	ACUITE BBB-   Negative (Assigned)
	Cash Credit	Long Term	13.00	ACUITE BBB-   Negative (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	25.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	3.68	ACUITE BBB-   Negative (Assigned)
	Secured Overdraft	Long Term	10.00	ACUITE BBB-   Negative (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.00	ACUITE BBB-   Negative (Reaffirmed)
	Bank Guarantee	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A3 (Reaffirmed)
02 Jul 2021	Bank Guarantee	Short Term	5.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	5.00	ACUITE BBB-   Stable (Assigned)
	Proposed Bank Facility	Short Term	25.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A3 (Assigned)
	Secured Overdraft	Long Term	10.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	10.00	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
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	46.00	ACUITE A3   Reaffirmed
UCO Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3   Reaffirmed
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3   Reaffirmed
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
Union Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.10	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.00	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.90	ACUITE BBB-   Stable   Reaffirmed   Negative to Stable

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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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