



**Press Release**  
**SAIPAVANI CONSTRUCTIONS INDIA PRIVATE LIMITED**  
**March 26, 2025**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE BB+   Stable   Downgraded	-
Bank Loan Ratings	70.00	-	ACUITE A4+   Downgraded
Total Outstanding Quantum (Rs. Cr)	110.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has downgraded its long term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 40.00 Cr. and its short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 70.00 Cr. bank facilities of Saipavani Constructions India Private Limited (SPCPL). The outlook is '**Stable**'.

**Rationale for downgrade:**

The rating downgrade takes into account a significant decline in operating income in FY2024 compared to FY2023. The delayed execution of a few projects led to a decline in FY2024 revenue, which is expected to decline further in the current year (FY2025) due to continued delays in project execution. SPCL's order book position is healthy, however comprises slow moving orders. The rating is also constrained by intensive working capital management and the tender-based nature of operations. Further, it considers SPCL's moderate financial risk profile and the extensive experience of the promoters of over three decades in the civil construction business.

**About the Company**

Hyderabad-based Saipavani Constructions India Private Limited (SPCPL) was established as a proprietorship in 1990 by Mr. Duggi Reddy and later reconstituted as a private limited company in 2006. The company undertakes civil construction activities primarily involving roads, irrigation works, buildings, bridges, drains, and other allied activities. The company is registered as a 'Special Class' contractor for the state governments of Andhra Pradesh and Telangana, and as a 'Class-I' contractor for the Karnataka state government.

**Unsupported Rating**

Not applicable

**Analytical Approach**

Acuite 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**

SPCPL is promoted by Mr. Duggi Reddy, who has more than three decades of experience in the civil construction business. SPCPL is registered as a 'Special Class' contractor for the state governments of Andhra Pradesh and Telangana, and as a 'Class-I' contractor for the Karnataka state government. The promoters' extensive experience and established track record of operations, along with their experience of project completion in the past, have helped the company in bidding for and being awarded government

projects. Notably, SPCPL is one of the major contractors for the prestigious Yadagirigutta Narasimha Swamy Temple project, now known as Yadadri, for the Telangana Government. While most of the projects are from the governments of Telangana, Andhra Pradesh, and Karnataka, the company ensures that it bids for 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.

- **Moderate financial risk profile**

The financial risk profile of the company is moderate, marked by healthy net worth, moderate debt protection metrics, and low gearing. The net worth of the company stood at Rs.90.92 Cr. and Rs.78.56 Cr. as on March 31, 2024, and 2023 respectively. The improvement in the net worth is on account of accretion of reserves. The gearing of the company improved to 0.82 times as on March 31, 2024, against 1.07 times as on March 31, 2023. The improvement in the gearing is on account of decrease in long term debt portion and moderate bank limit utilization levels as on March 31 2024. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 3.01 times and 1.59 times as on March 31, 2024, respectively as against 4.11 times and 2.00 times as on March 31, 2023, respectively. TOL/TNW (Total outside liabilities/Total net worth) stood at 2.93 times and 4.17 times as on March 31, 2024, and 2023 respectively. The debt to EBITDA of the company stood at 1.91 times as on March 31, 2024, as against 1.67 times as on March 31, 2023. Acuité believes that the financial risk profile will remain moderate in the absence of any major debt funded capital expenditure plan in the near term.

## **Weaknesses**

- **Revenue decline and slow moving orders**

SPCPL registered revenue of Rs. 222.34 Cr. in FY2024, a decline of 39.28 percent compared to revenue of Rs. 366.75 Cr. in FY2023. The decline in revenue is primarily due to delays in the execution of some orders during the year and changes in the state government. Further, the operating profit margin declined to 11.95 percent in FY2024 compared to 12.55 percent in FY2023. During the current year, the company registered revenue of Rs. 165 Cr. until January 31, 2025, and is expected to close the year with revenue of Rs. 195-205 Cr. The company has an unexecuted order book position of Rs. 985.15 Cr. as of January 31, 2025, which comprises of slow-moving orders. The order book position is expected to show relatively slower movement over the medium term. Acuité believes that significant progress in order executions will be a key factor in scaling up operations in the near to medium term.

- **Working capital intensive operations**

SPCPL's working capital operations are intensive, as reflected by its gross current assets (GCA) of 475 days in FY2024, compared to 331 days in FY2023. The elongation in GCA days is due to high work in progress, resulting in inventory days of 88 days in FY2024 compared to 49 days in FY2023. The GCA days also includes other current assets portion in the form of EMD deposits, retention money receivables and advances to suppliers, which further take it to elongated levels. The debtor day stood at 78 days in FY2024 as against 58 days in FY2023. Subsequently, the payable period stood at 381 days in FY2024 as against 275 days FY2023 respectively. Furthermore, the reliance on bank limits utilization remained high with almost full utilization of fund-based working capital limits and 44 percent for the non-fund-based limits for the past ten months ending in Feb 2025. Acuité believes that the working capital cycle will continue to remain in a similar range over the medium term, considering the nature of the industry.

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

SPCPL primarily executes tender-based projects from state governments. Once a tender is allotted, an EMD of approximately 1-2.5 percent 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. Additionally, tender-based operations limit pricing flexibility in an intensely competitive industry. This sector is marked by the presence of several mid to large-sized players, and the company faces competition from other players in the sector. The risk becomes more pronounced as tendering is based on the minimum amount of bidding for contracts. However, this risk is mitigated to an extent as the promoter has been operating in this industry for the last three decades and has achieved geographical diversification.

## **Rating Sensitivities**

- Significant progress in execution of existing order book, providing adequate revenue visibility for the medium term
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity

**Liquidity Position: Adequate**

SPCPL's liquidity is adequate, marked by adequate net cash accruals to its maturing debt obligation. The company generated cash accruals of Rs.21.16 Cr. in FY2024, while its maturing debt obligations were Rs. 8.43 Cr. during the same period. Going forward, the company is expected to generate sufficient net cash accruals against its maturing debt obligation. The current ratio stood at 1.23 times as on March 31, 2024. Furthermore, the reliance on bank limits utilization remained high with almost full utilization of fund-based working capital limits and around 44 percent for the non-fund-based limits for the past ten months ending in Feb 2025. The company maintained an unencumbered cash and bank balances of Rs.3.13 Cr. as on March 31, 2024. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term.

**Outlook: Stable****Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	222.34	366.75
PAT	Rs. Cr.	12.36	22.35
PAT Margin	(%)	5.56	6.09
Total Debt/Tangible Net Worth	Times	0.82	1.07
PBDIT/Interest	Times	3.01	4.11

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

Not applicable

**Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)**

**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, 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Dec 2023	Bank Guarantee (BLR)	Short Term	46.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE BBB-   Stable (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	2.90	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	5.10	ACUITE BBB-   Stable (Reaffirmed)
30 Sep 2022	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	25.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	15.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	13.00	ACUITE BBB-   Negative (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE BBB-   Negative (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.00	ACUITE BBB-   Negative (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB-   Negative (Assigned)
	Term Loan	Long Term	3.68	ACUITE BBB-   Negative (Assigned)
	Proposed Long Term Loan	Long Term	6.32	ACUITE BBB-   Negative (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A4+   Downgraded ( from ACUITE A3 )
UCO Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A4+   Downgraded ( from ACUITE A3 )
Indian Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A4+   Downgraded ( from ACUITE A3 )
UCO Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	13.00	Simple	ACUITE BB+   Stable   Downgraded ( from ACUITE BBB- )
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BB+   Stable   Downgraded ( from ACUITE BBB- )
Union Bank of India	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BB+   Stable   Downgraded ( from ACUITE BBB- )
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Apr 2025	0.61	Simple	ACUITE BB+   Stable   Downgraded ( from ACUITE BBB- )
UCO Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2027	1.25	Simple	ACUITE BB+   Stable   Downgraded ( from ACUITE BBB- )
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jun 2025	0.14	Simple	ACUITE BB+   Stable   Downgraded ( from ACUITE BBB- )

## Contacts

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