

Press Release

Shri Satyasai Baba Infra Ventures Private Limited (Erstwhile Shri Satyasai Baba)

August 06, 2021



Rating Reaffirmed and Assigned; Outlook Revised

Total Bank Facilities Rated*	Rs.68.00 Cr. (Enhanced from Rs.60.50 Cr.)
Long Term Rating	ACUITE BBB+/ Outlook: Negative (Reaffirmed & Assigned; Outlook revised to Negative)
Short Term Rating	ACUITE A2 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** and the short-term rating of **'ACUITE A2' (read as ACUITE A two)** on the Rs.67.50 Cr. bank facilities of Shri Satyasai Baba Infra Ventures Private Limited (Erstwhile Shri Satya Saibaba Constructions). The outlook has been revised to **'Negative'** from **'Stable'**.

Further, Acuite has assigned the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** on the Rs.0.50 Cr. bank facilities of Shri Satyasai Baba Infra Ventures Private Limited (Erstwhile Shri Satya Saibaba Constructions). The outlook is **'Negative'**.

Rationale for revision in outlook

The revision of outlook is on account of decline operating performance of the company followed by slight deterioration in financial risk profile in FY21 (Provisional). The decline in revenues is majorly on account of outbreak of Covid-19 followed by lockdown across the nation, thereby restricting movement of goods and people. The company majorly into construction work for various projects of government in the state of Maharashtra. The outbreak of covid-19 impacted the construction activities of the company and also the company faced challenges towards obtaining fresh projects from the government. Further, the company has not obtain any new projects from the government since February 2020.

The operating income of the company stood at Rs.184.47 Cr. in FY2021 (Provisional) as against Rs.234.36 Cr. in FY2020 reflecting a 23 percent YoY decline. Further, company has an unexecuted order book position of Rs.211 Cr. as on July, 2021 reflecting lack of clarity on sustainability in scale of operations for the long term. However, the reaffirmation of the rating is on account of company's experience promoters, reputed clientele, efficient working capital operations, comfortable financial risk profile and adequate liquidity position of the company.

About the Company

Established in 1997 as a proprietorship concern, and later reconstituted as a partnership firm in the year 2000, Shri Satya Saibaba Constructions (hereinafter referred to as SSSC) is a Latur-based firm promoted by Dilip Raosaheb Mane, Mrs. Savita Dilip Mane, Mr. Dinesh Mane and Mr. Ritesh Dilip Mane. The firm is engaged in civil construction and undertakes civil construction of roads, bridges and flyovers among others. The firm caters to Central Railways, State Government, NHAI and Public Works Department.

In addition to this, SSSC has been reconstituted as a private limited company namely Shri Satyasai Baba Infra Ventures Private Limited (SSBIVPL) on 30th June, 2020 with existing partners becoming directors in the company.

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of SSBIVPL to arrive at this rating.

Key Rating Drivers

Strengths

• Established track record of operations, experienced management and reputed clientele

Initially established in the year 1997 by Mr. Dilip Raosaheb Mane, SSBIVPL has been executing civil construction contracts in Maharashtra for more than two decades. Mr. Dilip Raosaheb Mane holds an experience of more than two decades in the aforementioned industry. The company is engaged in providing different types of civil construction in segments such as bridge constructions, road, water irrigation projects, dam construction under government and railway entities. The company only undertakes government projects located in Maharashtra and is expected to enter into the states of Telangana and Karnataka going ahead. With the help of extensive experience of promoters, the company has been able to undertake various projects from reputed government clientele such as Indian Railways, National Highway Authority of India (NHAI), and PWD among others.

Acuite believes that SSBIVPL will continue to benefit from its established track record of operations and experienced management.

• Healthy financial risk profile

The financial risk profile of the company is healthy marked by strong net worth, healthy gearing, above average debt protection metrics and coverage indicators. The net worth of the company is healthy which stood at Rs.67.46 Cr. as on March 31, 2021 (Provisional). The net worth levels have seen significant improvement over the last three years through FY2021 on account of healthy profitability. SSBIVPL has followed a conservative financial policy marked by gearing level of 0.12 times as on March 31, 2021 (Provisional) as against 0.28 times same period last year. The total debt of Rs.8.02 Cr. as on 31 March 2021 (Provisional) comprised of long-term borrowings of Rs.5.09 Cr. and working capital borrowings of Rs.2.93 Cr.

Healthy profitability of the company has led to above-average debt coverage indicators of the company marked by debt-service-coverage-ratio of 1.73 times for FY2021 (Provisional) as against 4.57 times for FY2020 and interest coverage ratio of 18.65 times for FY2021 (Provisional) as against 10.62 times for FY2020. Currently, there are no plans for capital expansion in the company as per the management. Further, healthy net cash accruals have resulted in lower dependence on its working capital limits, resulting in average utilization of ~25 per cent over the last six months ended June, 2021.

Acuite believes that the financial risk profile of the company will continue to remain healthy on account of healthy profitability and strong net worth.

• Working capital efficient nature of operations

The company has efficient working capital requirements, as reflected in gross current assets (GCA) of 22 days for FY2021 (Provisional) as compared to 27 days for FY2020. This improvement is on account of lower inventory and debtor days, due to execution of existing order book resulting in lower work-in-progress. The inventory days stood at 4 days for FY2021 (Provisional) as compared to 6 days as on FY2020. The debtor days of the company is almost nil for FY2021 (Provisional) as the company raised all its bills before 25th March, 2021 and was able to realize the payments before 31st March, 2021. Normally, the company receives payment within 7 days from its clients from the day raising invoice as per the management. The creditor days stood at 15 days for FY2021 (Provisional) as against 35 days for FY2020. However, current ratio stood low at 0.91 times as on March 31, 2021 (Provisional).

Acuite believes that the efficient working capital management will be crucial to the SSBIVPL in order to maintain a stable credit profile.

Weaknesses

• Moderation in scale of operations and profitability

The operating income of the company stood at Rs.184.47 Cr. in FY2021 (Provisional) as against Rs.234.36 Cr. in FY2020 reflecting a 23 percent YoY decline. The operating income was also lower than Acuite projection of Rs.184.47 Cr. The revenues of the company was impacted on account of covid-19 pandemic as the company was unable to execute any fresh tenders for new projects from government. The order book position of the company is also moderate with Rs.211 Cr. of unexecuted orders as on July, 2021. Further, no fresh orders have been achieved by the company from Feb 2020 reflecting lack of clarity on sustainability in scale of operations for the long term. The operating profitability i.e. EBITDA margin has seen a marginal decline from 12.28 percent in FY2020 to 12.08 percent in FY2021 (Prov.). The net profit margin has also

decline marginally to 5.26 percent in FY2021 (Prov.) as against 5.59 percent in FY2020.

Acuite believes that timely sustainability in scale of operations of the company along with ability of obtaining fresh new tenders for various projects will be a key rating sensitivity going ahead.

• **Profitability susceptible to fluctuations in input cost**

The input costs, i.e. power cost, labor cost and raw materials (iron, steel and cement) are highly volatile in nature with labor cost constituting around 75 per cent of the total revenue as the company subcontracts its work. Any adverse movement in input costs can impact profitability. The company's EBITDA margin shows volatility with 12.08 per cent in FY2021 (Provisional) as against 12.28 per cent in FY2020 and 14.10 per cent in FY2019.

• **High dependence on government orders, mitigated by established relations and efficient liaising with government authorities**

SSBIVPL does civil construction work mainly for Central Railway and Maharashtra Government, which indicates that the firm's revenues are highly dependent on the number and value of tenders floated by State Government. Moreover, any further delays in the project execution of current projects along with the delayed receipt from Government and site related issues are likely to result in higher working capital requirements. However, this risk is mitigated, as SSBIVPL has established relations with State Government departments, which resulted in timely realizations and winning of tenders at regular intervals.

Rating Sensitivities

- Significant deterioration in scale of operations with limited fresh orders from the government clients
- Deterioration in working capital management leading to stretched liquidity
- Improvement in profitability levels thereby improving company's financial risk profile

Material Covenants

None

Liquidity position: Adequate

The company has adequate liquidity position marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.14.85 Cr. in FY2021 (Provisional) as against ~Rs.3.70 Cr. of repayment obligations for the same period. The company operations are working capital efficient in nature marked by low GCA days of 22 days for FY2021 (Provisional). The company maintains unencumbered cash and bank balances of Rs.2.56 Cr. as on 31 March 2021 (Provisional). Further, average utilization of the cash credit in the last six months stood at around 25 per cent ended June 2021 as per bank statements. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual against matured debt obligations over the medium term.

Outlook: Negative

Acuite believes that the company's credit profile will be impacted by moderation in revenues and profitability in FY21 (Provisional) led by lower execution of projects and no new fresh tenders executed during the year. The rating may be downgraded in case of continued moderation in its revenues and profitability. The outlook may be revised to 'Stable' in case of sustained improvement in revenues led by increase in order book position of the company and also fresh execution of new tenders for various government projects.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	184.47	234.36
PAT	Rs. Cr.	9.70	13.11
PAT Margin	(%)	5.26	5.59
Total Debt/Tangible Net Worth	Times	0.12	0.28
PBDIT/Interest	Times	18.65	10.62

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

Not Applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Nov-2020	Cash Credit	Long term	10.00	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit	Long term	6.00	ACUITE BBB+/Stable (Reaffirmed)
	Bank Guarantee	Short term	16.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short term	28.00	ACUITE A2 (Reaffirmed)
13-Aug-2019	Cash Credit	Long term	10.00	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit	Long term	6.00	ACUITE BBB+/Stable (Reaffirmed)
	Bank Guarantee	Short term	16.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short term	28.00	ACUITE A2 (Reaffirmed)
27-June-2018	Cash Credit	Long term	10.00	ACUITE BBB+/Stable (Reaffirmed)
	Cash Credit	Long term	6.00	ACUITE BBB+/Stable (Reaffirmed)
	Bank Guarantee	Short term	16.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short term	28.00	ACUITE A2 (Reaffirmed)
	Proposed Bank Guarantee	Short term	15.00	ACUITE A2 (Reaffirmed)
21-Mar-2018	Cash Credit	Long term	10.00	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Cash Credit	Long term	3.00	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
	Term Loan	Long term	3.00	ACUITE BBB+/Stable (Assigned)
	Bank Guarantee	Short term	16.50	ACUITE A2 (Upgraded from ACUITE A3)
	Bank Guarantee	Short term	16.00	ACUITE A2 (Upgraded from ACUITE A3)
	Letter of Credit	Short term	5.07	ACUITE A2 (Assigned)
	Proposed Short Term Loan	Short term	6.93	ACUITE A2 (Assigned)
02-Mar-2017	Cash Credit	Long term	10.00	ACUITE BBB-/Stable (Assigned)
	Proposed Cash Credit	Long term	2.00	ACUITE BBB-/Stable (Assigned)

	Bank Guarantee	Short term	15.50	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short term	10.00	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Lender's Name	Name of the Facilities	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
IDBI Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB+ / Negative (Reaffirmed; Outlook revised to Negative)
HDFC Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ / Negative (Reaffirmed; Outlook revised to Negative)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BBB+ / Negative (Assigned)
IDBI Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE A2 (Reaffirmed)
HDFC Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	36.00	ACUITE A2 (Reaffirmed)

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About Acuité Ratings & Research:

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