

Press Release

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

November 03, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB+ Negative Reaffirmed	-
Bank Loan Ratings	3.00	-	ACUITE A2 Assigned
Bank Loan Ratings	5.00	ACUITE BBB+ Negative Assigned	-
Bank Loan Ratings	53.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	76.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on Rs. 68.00 crore bank facilities of Shri SatyaSai Baba Infra Ventures Pvt Ltd (SSBVIPL).

Further, Acuite has also assigned its long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) on Rs. 8.00 crore bank facilities of Shri SatyaSai Baba Infra Ventures Pvt Ltd (SSBIVPL). The outlook is '**Negative**'.

Rationale for the rating

The rating reaffirmation factors the established track record of operations and experienced management of the company. The rating also draws comfort from the efficient working capital operations of the company, healthy financial risk profile and adequate liquidity position reflected by SSBIVPL's moderate reliance on working capital limits. Acuite has maintained the outlook at 'Negative' on account of moderation seen in the scale of operations. Total operating income of the company stood at Rs. 167.52 crore in FY22 as against Rs. 182.18 crore in FY21 and Rs. 236.34 crore in FY20. Further, SSBIVPL has secured fresh orders of Rs. 319 crore in FY22 out of which orders worth Rs. 290 crore are yet to be undertaken for execution on account of issues with environmental clearance for such projects. Such delayed execution of projects create uncertainty on sustainability in scale of operations in the near to medium term.

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

Acuité 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.

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

Healthy Financial Risk Profile

Financial risk profile of the company is healthy with a healthy network, low gearing and a comfortable debt protection metrics. Tangible network of the company stood at Rs.81.79 crore as on 31st March 2022 as against Rs. 64.41 crore as on 31st March 2021. Strengthening of network is on account of increased accretion of profits to reserves over the years. Gearing of the company stood low at 0.09 times as on 31st March 2022 as against 0.12 times as on 31st March 2021. Gearing of the company has improved from its peak at 0.28 times as on 31st March 2020. Net cash accruals to total debt (NCA/TD) saw a consistent improvement at 3.03 times as on 31st March 2022 as against 2.64 times as on 31st March 2021. Total outside liabilities/Total debt (TOL/TD) stood at 0.83 times as on 31st March 2022 as against 0.79 times as on 31st March 2021. Debt protection metrics remained comfortable with DSCR at 4.51 times for FY22 as against 2.32 times for FY21. Interest coverage ratio stood at 14.90 times for FY22 as against 21.49 times for FY21.

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

Efficient working capital operations

Working capital operations of the company are efficient marked by GCA days of 68 days for FY22 as against 26 days for FY21. GCA days are majorly driven by debtor collection period. Debtor collection period of the company stood at 31 days for FY22 as against 13 days for FY21. Elongation of debtor collection period for FY22 is on account of higher billing at the end of FY22. Creditor days stood at 32 days for FY22 as against 22 days for FY21.

Acuité 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 delays in execution of projects

SSBIVPL has recorded a 8% Y-o-Y degrowth in the its total operating income in FY22. Total operating income of the company stood at Rs. 167.52 crore in FY22 as against Rs. 182.18 crore in FY21. Such degrowth comes at the back of delay in execution of certain projects. Further, during FY2021 the company was unable to secure any new projects for execution. Hence, limited availability of projects for execution also drives the moderation in the scale of operations. While the total operating income of the company has dropped in FY22, SSBIVPL has secured fresh contracts of Rs. 319.73 crore in FY22. However, Rs. 290 crore of such projects have not started execution on account of issues with environmental clearance for such projects.

Acuité believes that sustainability in scale of operations of the company depends on timely execution of the projects along with its ability of obtaining fresh new tenders for various projects and 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 15.58 per cent in FY2022 as against 13.05 per cent in FY2021 and 10.99 per cent in FY2020.

High dependence on government orders, mitigated by established relations and efficient liasioning with government authorities

SSBIVPL does civil construction work mainly for Central Railway and Maharashtra Government, which indicates that the company'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 on account of delay in execution of projects
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

Liquidity of the company is adequate with sufficient net cash accruals to meet the debt service obligations. The company generated net cash accruals (NCA) of Rs. 22.68 crore in FY22 as against debt service obligation of Rs.3.44 crore. NCA is expected to range between Rs.25.30-27.76 crore in the near to medium term as against repayment obligations of Rs.1.31-1.50 crore. SSBIVPL's reliance on fund based working capital limits are low with average limit utilization of 20 percent for 6 months ended September 2022. Utilisation of non-fund based Bank guarantee limits stood at 69% for 6 months ended September 2022. Unencumbered cash balance of Rs. 12.72 crore is maintained by the company as on 31st March, 2022.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against its maturing debt obligations.

Outlook: Negative

Acuité believes that the company's credit profile will be impacted by moderation in revenues and profitability in FY22 led by delayed execution of projects. Further, delayed execution of fresh projects indicate uncertainty on the company's ability to sustain the scale of operations. 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 fresh execution of new tenders for various government projects and increased order book position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	167.52	182.18
PAT	Rs. Cr.	17.38	14.39
PAT Margin	(%)	10.38	7.90
Total Debt/Tangible Net Worth	Times	0.09	0.12
PBDIT/Interest	Times	14.90	21.49

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>
- 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Aug 2021	Bank Guarantee	Short Term	16.50	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Negative (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB+ Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	0.50	ACUITE BBB+ Negative (Assigned)
	Bank Guarantee	Short Term	36.00	ACUITE A2 (Reaffirmed)
04 Nov	Bank Guarantee	Short Term	16.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	28.00	ACUITE A2 (Reaffirmed)

2020	Cash Credit	Long Term	6.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Reaffirmed)
13 Aug 2019	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	16.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	28.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB+ Stable (Reaffirmed)
27 Jun 2018	Proposed Bank Guarantee	Short Term	15.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	16.00	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	16.50	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)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)
		Long		
02 Mar 2017	Proposed Cash Credit	Term	2.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	10.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
IDBI Bank Ltd.	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A2 Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	36.00	ACUITE A2 Reaffirmed
IDBI Bank Ltd.	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A2 Assigned
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB+ Negative Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ Negative Reaffirmed
IDBI Bank Ltd.	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB+ Negative Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Deepti Bhandarkar Analyst-Rating Operations Tel: 022-49294065 deepti.bhandarkar@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.