

Press Release

Swastik Infralogics Private Limited (Erstwhile Swastik Infra Logic India Private Limited)

November 15, 2021



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.120.00 crore
Long Term Rating	ACUITE BBB/Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.120.00 crore bank facilities of Swastik Infralogics Private Limited (Erstwhile Swastik Infra Logic India Private Limited) (SIPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating continues to be driven by the established track record of operations and stable business risk profile over the medium term. SIPL's financial risk profile continues to remain healthy, marked by adequate liquidity. Acuite expects the business and financial performance is likely to be sustained over the medium term on the back of healthy order book and long association with government agencies. The rating however remains constrained on account of working capital intensive operations and tender based nature of business.

About the company

SIPL is a Mumbai based company which was established as a proprietorship firm in 2003 by Mr. Srikanth Raju and later in 2009, the constitution was changed to private limited. SIPL is a registered Class-I A contractor with Maharashtra PWD, Karnataka PWD, MJP, KDMC and CIDCO and is engaged in the business of infrastructural development for government and private organizations. SIPL is also engaged in manufacturing and supplying of aggregates and concrete since 2009.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management and established track record of operation

SIPL was established in 2003 by Mr. Srikanth Raju and Mr. R Chandrashekhar Raju. Both the directors are having more than two decades of experience in managing construction companies and more than a decade of experience in trading and manufacture of RMC and aggregates. The experience of the promoters has helped SIPL in establishing a market position throughout the years.

Acuite believes that the company will continue to benefit from the management's experience to sustain its business risk profile in the near to medium term.

• Healthy financial risk profile

The financial risk profile of the company stood healthy marked by healthy net worth, low gearing and healthy debt protection metrics. The tangible net worth stood at Rs.154.39 crore as on March 31, 2021 (Prov.) as against Rs.119.94 crore as on March 31, 2020. The improvement in net worth is due to healthy accretion of profits in the reserve. The total debt of the company stood at Rs.149.30 crore includes Rs.128.78 crore of long term debt and Rs.20.52 crore of short term debt as on March 31, 2021 (Prov.). The gearing (debt-equity) stood low at 0.97 times as on March 31, 2021 (Prov.) as compared to 0.73 times as on March 31, 2020. Interest Coverage Ratio stood at 6.96 times for FY2021 (Prov.) as against 7.03 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 6.01 times for FY2021 (Prov.) as against 6.07 times for FY2020. Total

outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.95 times as on March 31, 2021 (Prov.) as against 2.07 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.35 times for FY2021 (Prov.) as against 0.53 times for FY2020.

Acuite believes that the financial risk profile of the company is expected to remain at the same level over the medium term.

- **Long association with government agencies**

SIPL has executed projects for government bodies such as NHAI, CIDCO, PWD, JNPT, KUWSD, KUIDFC, and NMMC. Currently, they have an outstanding order book as on August 2020 stands at Rs.512.70 crore. Since all these are government entities, counter-party default risk remains minimal. Although, the risk associated with delayed payment exist due to good liaising, promoter's extensive experience and timely execution of projects, SIPL has been able to maintain a comfortable receivable position.

Weaknesses

- **Intensive working capital operations**

The working capital management of the company are moderately intensive marked by Gross Current Asset (GCA) days of 127 days in FY2021 (Prov.) as against 134 days in FY2020. This is on account of the retention money and deposits the client has to maintain with its customers. Also, receivables days stood at 72 days in FY2021 (Prov.) as against 81 days in FY2020. Inventory days stood at 18 days in FY2021 (Prov.) as well as in FY2020. Also, the average bank limit utilization stood high at around 90-93 percent for the last 8 months ended August 2021.

Acuite believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

- **Highly competitive tender based nature of operations**

SIPL operates in a highly competitive industry due to the presence of many organised and unorganised players. The business of SIPL depends upon the number of tenders floated by the government and their bid success rate. Further, SIPL's performance is susceptible to cyclicalities in construction/infrastructure segment. However, this risk is moderated due to diversification of business into trading and manufacture of RMC and Aggregates, which accounts for ~30-40 percent of the total revenue.

Rating Sensitivities

- Significant improvement in the scale of operations while maintaining the profitability.
- Any elongation of the working capital cycle leading to further deterioration in financial risk profile.

Material Covenants

None.

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.46.00-52.10 crore during the last three years through 2019-21, while its maturing debt obligations were Rs.30.00-35.00 crore over the same period. Also, the company is expected to generate cash accruals of Rs.69.00-95.00 crore during the period of 2022-24, while its maturing debt obligations are Rs.25.00-57.00 crore over the same period. The company's working capital operation though improved, stood intensive marked by gross current asset (GCA) of 127 days in FY2021 (Prov.) as against 134 days in FY2020. The company maintains an unencumbered cash and bank balances of Rs.0.93 crore as on March 31, 2021 (Prov.). The current ratio of the company stood at 1.45 times as on March 31, 2021 (Prov.). The average bank limit utilization stood high at around 90-93 percent for the last 8 months ended August 2021.

Outlook: Stable

Acuite believes that the company will maintain a stable outlook over the near to medium term owing to its experienced management and established market position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues through the successful execution of large projects while

improving profitability margins, improvement in capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenue in case of delays in project execution, profit margins or deterioration in the financial risk profile, particularly its liquidity most likely as a result of higher than envisaged working capital or capex requirements.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	588.99	535.19
PAT	Rs. Cr.	34.45	31.16
PAT Margin	(%)	5.85	5.82
Total Debt/Tangible Net Worth	Times	0.97	0.73
PBDIT/Interest	Times	6.96	7.03

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 Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
17-Aug-2020	Cash Credit	Long Term	14.00	ACUITE BBB/Stable (Upgraded)
	Bill Discounting	Short Term	5.00	ACUITE A3+ (Upgraded)
	Secured Overdraft	Long Term	0.90	ACUITE BBB/Stable (Upgraded)
	Proposed Bank Facility	Long Term	7.10	ACUITE BBB/Stable (Upgraded)
	Cash Credit	Long Term	8.00	ACUITE BBB/Stable (Upgraded)
	Bank Guarantee	Short Term	22.00	ACUITE A3+ (Upgraded)
	Bank Guarantee	Short Term	30.00	ACUITE A3+ (Upgraded)
	Proposed Bank Facility	Short Term	33.00	ACUITE A3+ (Upgraded)
09-April-2019	Cash Credit	Long Term	9.00	ACUITE BBB-/Stable (Assigned)
	Bill Discounting	Short Term	5.00	ACUITE A3 (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE BBB-/Stable (Assigned)
	Proposed Bank Facility	Long Term	9.00	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Assigned)

	Bank Guarantee	Short Term	30.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Short Term	30.00	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
HDFC Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB/Stable (Reaffirmed)
HDFC Bank	Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ (Reaffirmed)
Kotak Mahindra Bank	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE BBB/Stable (Reaffirmed)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.10	ACUITE BBB/Stable (Reaffirmed)
Kotak Mahindra Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB/Stable (Reaffirmed)
HDFC Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE A3+ (Reaffirmed)
Kotak Mahindra Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3+ (Reaffirmed)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE A3+ (Reaffirmed)

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