

Press Release

Swastik Infralogics Private Limited (Erstwhile Swastik Infra Logic India Private

November 01, 2022



Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	102.00	-	ACUITE A2 Assigned
Bank Loan Ratings	22.00	ACUITE BBB+ Stable Upgraded	-
Bank Loan Ratings	28.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	98.00	-	ACUITE A2 Upgraded
Total Outstanding Quantum (Rs. Cr)	250.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

ACUITE has upgraded its long-term rating to '**ACUITE BBB+**' (read as **ACUITE t riple B+**) from '**Acuite BBB**' (read as **ACUITE t riple B**) and the short-term rating to '**ACUITE A2**' (read as **ACUITE A two**) from '**Acuite A3+**' (read as **ACUITE A three plus**) on the Rs.120.00 crore bank facilities of Swastik Infralogics Private Limited (SIPL). The outlook is 'Stable'.

Further, Acuite has assigned its long term rating of **ACUITE BBB+** (read as **ACUITE t riple B+**) and short-term rating of **ACUITE A2** (read as **ACUITE A two**) on the Rs.130.00 crore bank facilities of Swastik Infralogics Private Limited (SIPL). The outlook remains 'Stable'.

Rationale for Upgrade

The upgrade in rating considers the established track record of operations along with experience management. Further, the rating factors in the improvement in the business and financial risk profile of SIPL (Swastik Infralogics Private Limited) along with longstanding relationship with reputed clientele. The company's revenue grew to Rs. 884.27 crore in FY2022 as against Rs. 588.08 crore in FY2021 registering a growth of 50.37 percent. However, the rating is constrained by working capital intensive nature of operations, and the presence in highly competitive industry due to tender based nature of operations.

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 manufacturing of RMC and aggregates. The experience of the promoters has helped SIPL in establishing a market position throughout the years. The extensive experience of promoter is also reflected through significant increase in revenue to Rs 884.27 Cr in FY 2022 as against Rs 588.08 Cr in FY 2021.

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.191.95 crore as on March 31, 2022, as against Rs.155.65 crore as on March 31, 2021. The improvement in net worth is due to healthy accretion of profits in the reserve. The total debt of the company stood at Rs. 144.06 crore which includes Rs.112.94 crore of long-term debt, Rs.19.33 crore of short-term debt and Rs.11.78 crore of unsecured loans from directors as on March 31, 2022. The gearing (debt-equity) of the company has improved and stood low at 0.75 times as on March 31, 2022, as compared to 1.17 times as on March 31, 2021. Interest Coverage Ratio stood above average at 5.85 times for FY2022 as against 6.77 times for FY2021. Debt Service Coverage Ratio (DSCR) stood moderate at 2.08 times for FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.79 times as on March 31, 2022, as against 2.43 times on March 31, 2021. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.45 times for FY2022 as against 0.30 times for FY2021.

Acuite believes that the financial risk profile of the company will continue to remain moderate over the medium term on account of its growing scale of operations and moderately conservative leverage policy.

- **Long association with government agencies**

SIPL has executed projects for government bodies such as NHAI, CIDCO, PWD, JNPT, KUWSDDB, KUIDFC, and NMMC. Currently, the company has an unexecuted order book position of Rs.679 crore as of August,2022. Since all these are government entities, counter-party default risk remains minimal. Although, the risk associated with delayed payment exists, but 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 remained intensive marked by GCA days of 145 days in FY2022 as against 201 days in FY2021. The inventory days stood at 7 days in FY2022 as compared to 42 days in FY2021. Also, the debtor days stood at 67 days in FY2022 as against 88 days in FY2021. Creditor days stood at 76 for FY2022 as against 147 days for FY2021. 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 cyclicality 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

approx. 40 percent of the turnover. Also, in the near term, SIPL is looking forward to undertake projects directly from NHAI and other government bodies as now it has experience and established capability required for the same.

Rating Sensitivities

- Significant improvement in the scale of operations while maintaining the profitability.
- Sustained order-book growth.
- Further elongation in working capital cycle

Material covenants

None.

Liquidity Position: Adequate

The liquidity position of the company remains adequate with expected net cash accruals of Rs 76.84 Cr - Rs 100.15 Cr over the medium term against the maturing debt obligations in the range of Rs 48- RS 51.37 Cr during the same tenure. The working capital management of the company remained intensive marked by GCA days of 145 days in FY2022 as against 201 days in FY2021. The company maintains an unencumbered cash and bank balances of Rs.27.37 crore as on March 31, 2022. The current ratio of the company stood at 1.33 times as on March 31, 2022. The average bank limit utilization stood moderate at around 85 percent for the last 6 months ended August 2022.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	884.27	588.08
PAT	Rs. Cr.	36.30	35.71
PAT Margin	(%)	4.10	6.07
Total Debt/Tangible Net Worth	Times	0.75	1.17
PBDIT/Interest	Times	5.85	6.77

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

Brickwork Ratings, vide its press release dated 02 June, 2022 had reaffirmed the rating of Swastik Infralogics Private Limited as BWR B+/A4 ISSUER NOT COOPERATING on account of lack of adequate information required for monitoring of ratings.

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Nov 2021	Cash Credit	Long Term	8.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	7.10	ACUITE BBB Stable (Reaffirmed)
	Bills Discounting	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Secured Overdraft	Long Term	0.90	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	14.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Short Term	33.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	22.00	ACUITE A3+ (Reaffirmed)
17 Aug 2020	Cash Credit	Long Term	8.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	22.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Facility	Long Term	7.10	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	30.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Facility	Short Term	33.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	14.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bills Discounting	Short Term	5.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Secured Overdraft	Long Term	0.90	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
09 Apr 2019	Bank Guarantee	Short Term	30.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	9.00	ACUITE BBB- Stable (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Short Term	30.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	9.00	ACUITE BBB- Stable (Assigned)
	Bills Discounting	Short Term	5.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	52.00	ACUITE A2 Upgraded
Kotak Mahindra Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A2 Upgraded
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB+ Stable Upgraded
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB+ Stable Upgraded
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE BBB+ Stable Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A2 Upgraded
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	102.00	ACUITE A2 Assigned

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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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