

Press Release

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

March 08, 2023



Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	200.00	-	ACUITE A2 Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	250.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the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.250.00 Cr. bank facilities of Swastik Infralogics Private Limited(SIPL) . The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

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 Chandrashekhhar 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, KUWSDB, 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, counterparty 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 cyclicity 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: Not Applicable

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>
- 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
01 Nov 2022	Proposed Bank Facility	Short Term	102.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Proposed Bank Facility	Short Term	16.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Proposed Cash Credit	Long Term	28.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	14.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Cash Credit	Long Term	8.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)

	Bank Guarantee	Short Term	52.00	ACUITE A2 (Upgraded from ACUITE A3+)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	52.00	ACUITE A2 Reaffirmed & Withdrawn
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A2 Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BBB+ Reaffirmed & Withdrawn
Kotak Mahindra Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE BBB+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	28.00	ACUITE BBB+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	ACUITE A2 Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	102.00	ACUITE A2 Reaffirmed & Withdrawn

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Radhika Kolwankar Analyst-Rating Operations Tel: 022-49294065 radhika.kolwankar@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.