



Press Release
Sailaja Commercial Construction Private Limited
July 14, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	15.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	100.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	120.00	-	-

Rating Rationale

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Acuite has reaffirmed a long term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) and the short term rating of 'ACUITE A3+' (read as ACUITE A three plus)' to the Rs.115.00 crore bank facilities of Sailaja Commercial Construction Private Limited (SCCPL) and assigned a long term rating of '**ACUITE BBB**' (read as **ACUITE t riple B**) to the Rs.5.00 crore bank facilities of Sailaja Commercial Construction Private Limited (SCCPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating takes into account the steady business risk profile of SCCPL buoyed by healthy order book position and improving profitability margins. The company has healthy unexecuted order book of Rs.692.62 crore as on 30th April 2023 providing adequate revenue visibility over the medium term. The rating also factors in the above average financial risk profile with low gearing levels, moderate net worth and comfortable debt protection matrices. The liquidity position of the company remains adequate with steady cash accruals against mature debt obligations. The rating also draws comfort from the established operations with experienced management of the company. However, these strengths are partially offset by working capital intensive nature of operations, exposure to risk related to intense competition with industrial cyclicity and tender nature of business operations.

About the Company

Sailaja Commercial Construction Private Limited (SCCPL) was incorporated in the year 2013 at Guwahati, Assam. SCCPL was formed by taking over the proprietorship business of M/s.Sailaja Commercial who was in the same line of business. In order to expand the reach and scope of work, the proprietorship business was converted into a private limited company. Currently, SCCPL is engaged in undertaking civil construction projects awarded by Assam Public Works Department (APWD) including PWD (Roads), PWD (Building), PWD (NH Works), PWD (NEC Works), PWD (ARIASP & RIDF), in the state of Assam. It primarily undertakes civil construction of roads, bridges, buildings, culverts, sewage etc. The present directors of the company are Ms. Ankita Chaliha Goswami and Mr. Udayaditya Goswami.

Analytical Approach

Acuite has considered standalone business and financial risk profile of SCCPL while arriving at

the rating.

Key Rating Drivers

Strengths

- **Stable business operations with improving profitability and experienced management**

The company was established and change its constitution to private limited company in 2013 after taking over the proprietorship business of M/s. Sailaja Commercial who was into similar line of business. The directors of the company Mr. Udaya Aditya Goswami and Mrs. Ankita Chaliha Goswami are well experience and has been in the construction industry for more than two decades. The company has an established presence in this sector and has long & healthy relationship with its customers for more than a decade. The timely execution of the projects has helped the company to improve its market presence in state of Assam. Further, the company mainly caters directly to the government entity such as Assam Public Works Department (APWD) including PWD(Roads), PWD(Building), PWD(NHWorks), PWD(NECWorks), PWD(ARIASP&RIDF), among others which have benefit the company to mitigate the counter party risk.

In FY2023(Provisional), the company's revenue was marginally declined to Rs.200.74 crore as against Rs.208.41 crore in FY2022. During the last financial year, the company received new order, however the revenues from those projects were not recorded in FY2023 due to site mobilization being carried out in FY2023. However, going ahead, Acuité believes that the revenues of the company will improved on account timely project execution and healthy unexecuted order book position.

On the other hand, the operating margin of the company increased to 11.06 percent in FY2023 (provisional) from 9.99 percent in FY2022. The PAT margin also increased to 5.46 percent for FY2023 (provisional) compared to 5.42 percent for FY2022. The improvement was majorly on account of successful execution and bidding of projects with higher profit margins.

Acuité believes that the company will continue to benefit from its promoter's extensive industry experience and established relationship with customers over the medium term.

- **Above average financial risk profile**

The financial risk profile of the company is above average marked by moderate net worth, low gearing and comfortable debt protection metrics. The net worth of the company stood at Rs.63.29 Cr as on March 31, 2023 (Provisional) as compared to Rs.51.14 crore as on March 31, 2022. This improvement in networth is mainly due to the retention of current year profits in reserves. Acuité has also considered unsecured loan of Rs.15.85 crore from the promoters as on March 31,2023(Provisional) as quasi equity, as the same amount is subordinated with bank debt. The gearing of the company stood low at 0.23 times as on March 31, 2023 (Provisional). This improvement in overall gearing is on account of increase in networth during the period.

The debt protection matrices of the company remain comfortable marked by Interest coverage ratio (ICR) of 6.43 times and debt service coverage ratio (DSCR) of 2.62 times for FY2023 (Provisional). The net cash accruals to total debt (NCA/TD) stood healthy at 1.01 times in FY2023(Provisional).

Going forward, Acuité believes the financial risk profile of the company will remain healthy on account of steady net cash accruals owing to stable profitability margins.

Weaknesses

- **Working capital intensive nature of operation**

The operations of the company are working capital intensive in nature marked by high gross current asset days (GCA) of 187 days for FY2023 (Provisional) as compared to 142 days for FY2022. The high GCA days is majorly on account of increase in debtor position as since majority of the billing is done in the last quarter, especially during March 23. The debtor days

of the company stood at 80 days for FY2023 (Provisional) as against 56 days for FY2022. Usually, company received majority of the payment in March end itself from the department, however, during the current year the same was received in April 23. Furthermore, the inventory days of the company has improved to 51 days in FY2023 (Provisional) as compared to 37 days in FY2022. Despite working capital intensive nature of operations, the average utilisation of its working capital limits remained moderate at ~68 percent in last six months ended March 2023.

Acuité believes that the working capital operations of the firm will remain at the similar levels over the medium term.

- **Competitive and fragmented nature of industry coupled with tender based business**

The company is engaged as a civil contractor and the sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the company must make bid for such tenders on competitive prices, which may affect the profitability of the company. However, this risk is mitigated to an extent as the company is operating in this environment for around a decade.

Rating Sensitivities

- Scaling up of operations while improving their profitability margin
- Timely execution of orders
- Further elongation in working capital management

Material covenants

None

Liquidity Position Adequate

The company has adequate liquidity marked by adequate net cash accruals of Rs.15.05 Cr. as on March 31, 2023 (Provisional) as against Rs.3.61 crore long term debt obligations over the same period. The current ratio of the company stood comfortable at 1.43 times in FY2023 (Provisional). The cash and bank balance stood at Rs. 9.76 Cr for FY 2023(Provisional). The bank limit of the company has been moderate at ~67.88 percent utilized during the last six months ended in March 2023. The net cash accruals for the company is expected to be in the range of Rs.19-22 Cr. in FY2024-25 period over debt obligations of ~Rs.2 Cr. during the same period. However, the working capital - intensive nature of the company is marked by moderate GCA days of 187 days in FY2023(Provisional) as compared to 142 days in FY2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate net cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuité believes the company's outlook will remain 'Stable' over the medium term on account of experience of the promoters, long execution track record, healthy order book position and above average financial risk profile. The outlook may be revised to 'Positive' in case the company registers significant growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or delay in completion of its projects or further deterioration in its working capital cycle.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	200.74	208.41
PAT	Rs. Cr.	10.96	11.30
PAT Margin	(%)	5.46	5.42
Total Debt/Tangible Net Worth	Times	0.23	0.26
PBDIT/Interest	Times	6.43	7.63

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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
03 Jul 2023	Cash Credit	Long Term	1.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	1.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	18.25	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	12.95	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	11.20	ACUITE A3+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	32.60	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BBB Stable (Reaffirmed)
19 Sep 2022	Proposed Bank Facility	Long Term	15.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	6.10	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	18.25	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.10	ACUITE A3+ (Assigned)
13 Dec 2021	Bank Guarantee	Short Term	18.25	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	6.10	ACUITE A3+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	21.20	ACUITE A3+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	31.20	ACUITE A3+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BBB Stable Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3+ Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	32.60	ACUITE A3+ Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB Stable 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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