



**Press Release**  
**Sailaja Commercial Construction Private Limited**  
**September 24, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB   Stable   Reaffirmed	-
Bank Loan Ratings	100.00	-	ACUITE A3+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	120.00	-	-

**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**) to the Rs.120.00 crore bank facilities of Sailaja Commercial Construction Private Limited (SCCPL). The outlook is '**Stable**'.

**Rationale for rating reaffirmation**

The rating considers the steady business risk profile of SCCPL buoyed by healthy order book position and improving operating margins with same level in PAT margin. The company has healthy unexecuted order book of Rs.731.10 crore as on 31st March 2024 providing adequate revenue visibility over the medium term. The rating also factors in the above average financial risk profile with moderate net worth, comfortable gearing levels and 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 which 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

### **Unsupported Rating**

Not applicable

### **Analytical Approach**

Acuité has considered standalone business and financial risk profile of SCCPL while arriving at the rating.

### **Key Rating Drivers**

## **Strengths**

### **Experienced management and long track record of operation**

The company was established and change its constitution to private limited company in 2013 and the directors of the company Mr. Udaya Aditya Goswami and Mrs. Ankita Chaliha Goswami have two decades of experience in similar industry. 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. 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. 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 will benefit the company to mitigate the counter party risk.

### **Stable business operations with improving operating margins and stable PAT margin**

The revenue of the company stood at the similar level i.e Rs.201.38 crore in FY 2024(Prov.) as compared to Rs.201.31 crore achieved in FY2023 mainly due to slower execution of orders from ministry of road transport and highways (Government of India) of ~Rs 454.32 Cr. which formed a major part of their orderbook in FY24. However, going ahead, Acuité believes that the revenues of the company will improved on account timely project execution and healthy unexecuted order book position of Rs 731.10 Cr. as on 31st March 2024 in hand which stands at 3.63 times of the company's OI in the FY24(Prov).

The operating margin of the company increased to 12.17 per cent in FY2024(prov) as compared to 11.06 per cent in FY2023. The increase in operating margins were majorly on account of high execution and bidding of higher margin projects but the PAT margin stood at same level i.e. 6.06 per cent for FY2024(Prov) as compared to 6.05 per cent for FY2023 on account on increase in interest cost due to avilment of term loan . Acuité believes that improvement in its profitability will going a key monitorable over the medium term.

### **Above average financial risk profile**

The financial risk profile of the company is above average marked by moderate net worth, comfortable gearing and debt protection metrices. The net worth of the company stood at Rs.76.70 Cr. as on March 31, 2024 (Prov) as compared to Rs 64.50 crore as on March 31, 2023. This improvement in net worth 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 31,2024(Provisional) as quasi equity, as the same amount is subordinated with bank debt.

The gearing of the company increased and stood at 0.57 times as on March 31, 2024 (Provisional) as against 0.23 times as on March 31, 2023, due to avilment of borrowings from banks and other financial institutions for equipment loans. The debt protection metrices of the company declined slightly but remain comfortable marked by Interest coverage ratio (ICR) of 4.69 times and debt service coverage ratio (DSCR) of 2.20 times for FY2024 (Prov) as against 7.05 times and 2.83 times respectively for the FY 2023. The net cash accruals to total debt (NCA/TD) of the company declined but stood moderate at 0.37 times in FY2024(Prov) as against 1.10 times in the FY2023. 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 operation of the company is working capital intensive marked by high gross current asset days of 214 days for FY2024 (Provisional) as compared to 198 days for FY2023. Moreover, the debtor holding period of the company increased and stood at 119 days for FY2024 (Prov.) as against 77 days for FY2023. The high GCA days is mainly on account of increase in debtor position, since majority of the billing is done in the last quarter, especially during March 24 and the same had been recovered in the current fiscal year 24-25 where outstanding balance of debtor stood at Rs 21.96 cr. as on July-24. However, the inventory days of the company has

improved to 26 days in FY2024 (Prov) as compared to 43 days in FY2023. The creditors holding period of the company increased and stood at 150 days for FY2024(Prov) as against 141 days for FY2023. Also, the average utilisation of its working capital limits was at ~83.59 percent for fund based and ~71.38 percent for non-fund based in last six months ended July 2024. 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. Acuité believes that 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

### **Liquidity Position**

#### **Adequate**

The company has adequate liquidity marked by adequate net cash accruals of Rs.16.44 Cr. as on March 31, 2024 (Prov) as against Rs.4.46 crore long term debt obligations over the same period. The current ratio of the company had slightly declined to 1.07 times in FY2024(Prov) as against 1.13 times in the FY2023. The cash and bank balance stood at Rs. 5.09 Cr. for FY 2024(Prov). The average utilisation of its working capital limits was at ~83.59 percent for fund based and ~71.38 percent for non fund based in last six months ended July 2024 Net cash accruals are expected to remain sufficient in the range of Rs.18 Cr. to Rs. 20.50 Cr. as against debt repayment obligation of Rs. Rs 5 cr to Rs 6.00 cr . However, the working capital intensive nature of the company is marked by moderate GCA days of 214 days in FY2024(Prov) as compared to 198 days in FY2023. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments , financial flexibility of promoters to infuse fund in business albeit a low current ratio and reliance on bank lines to fund working capital requirements 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, and improved 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**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	201.38	201.31
PAT	Rs. Cr.	12.20	12.17
PAT Margin	(%)	6.06	6.05
Total Debt/Tangible Net Worth	Times	0.57	0.23
PBDIT/Interest	Times	4.69	7.05

### 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>
- 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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Jul 2023	Cash Credit	Long Term	6.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	1.00	ACUITE BBB   Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	5.00	ACUITE BBB   Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	31.20	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	21.20	ACUITE A3+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	32.60	ACUITE A3+ (Reaffirmed)
03 Jul 2023	Bank Guarantee (BLR)	Short Term	18.25	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	12.95	ACUITE A3+ (Assigned)
	Bank Guarantee (BLR)	Short Term	11.20	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A3+ (Assigned)
	Proposed Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	32.60	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB   Stable (Assigned)
	Proposed Cash Credit	Long Term	1.00	ACUITE BBB   Stable (Assigned)
19 Sep 2022	Cash Credit	Long Term	1.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	15.00	ACUITE BBB   Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	6.10	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	5.10	ACUITE A3+ (Assigned)
	Bank Guarantee (BLR)	Short Term	18.25	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB   Stable (Assigned)
		Long		ACUITE BBB   Stable

13 Dec 2021	Cash Credit	Term	1.00	(Assigned)
	Bank Guarantee (BLR)	Short Term	18.25	ACUITE A3+ (Assigned)
	Bank Guarantee (BLR)	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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	41.00	ACUITE A3+   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.50	ACUITE A3+   Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	26.00	ACUITE A3+   Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.50	ACUITE BBB   Stable   Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.50	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	ACUITE A3+   Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB   Stable   Reaffirmed



## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Divya Bagmar Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:divya.bagmar@acuite.in">divya.bagmar@acuite.in</a>	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.