



Press Release
Sri Satya Sai Infrastructure Private Limited
May 24, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	42.00	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	41.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	83.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 83.00 Cr bank facilities of Sri Satya Sai Infrastructure Private Limited (SSSIPL). The outlook is 'Stable'.

Rationale for the rating

The rating takes into account satisfactory operating track record in civil construction segment, promoter's industry experience, establish long-standing relationship with various government bodies for repeated business and its moderate financial risk profile. Albeit, the ratings are constrained by pressure on the business risk profile as indicated by declining revenue in FY2023(Prov.) due to slow-moving order book. Further the operations are constrained by tender-based nature of its operations coupled with intense competition and stretched working capital cycle.

About the Company

In 1980, Mr. Sathya Murthy Vemula was established a proprietorship concern under the name of VSM Constructions to undertake civil construction works. In 2006, it was converted to a private limited company and renamed as Sri Satya Sai Infrastructure Private Limited (SSSIPL). It is involved in civil construction projects, in particular in the fields of irrigation, water and roads. SSSIPL is registered as a Special Class contractor with major Government departments in Telangana and Andhra Pradesh. SSSIPL's day-to-day operations are being presently looked after by the director Mr. Sathya Murthy Vemula and his son of Mr. Ranjith Kumar Vemula.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of promoters in executing civil construction business**

The promoters Mr. Sathya Murthy Vemula have a rich experience of over three decades in the civil construction business. The promoter is further supported by his son, Mr. Ranjith

Kumar Vemula along with other family members. The company's long tenure existence in the civil construction space has helped it to establish strong relationships with various government bodies for repeated business. As of December 31, 2022, SSSIPL has an unexecuted order book position of Rs. 286.55 Cr provides adequate revenue visibility

over the medium term. Acuité believes that unexecuted order book; promoter's established presence in civil construction works will support SSSIPL's business profile over the medium term.

- **Moderate Financial risk profile**

The financial risk profile of the company has remained moderate with moderate capital structure and debt protection metrics. The net worth of the company stood at Rs.42.51 Cr and Rs.39.67 Cr as on March 31, 2023(Prov.) and 2022 respectively. The gearing of the company has been improving over the last 2 years ending March 31, 2023(Prov.) due to decrease in long term debt and increase in net worth levels. It stood at 0.63 times as on March 31, 2023(Prov.) against 0.71 times as on March 31, 2022. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 2.30 times and 1.39 times as on March 31, 2023(Prov.) respectively as against 2.40 times and 1.48 times as on March 31, 2022 respectively. TOL/TNW stood at 0.76 times and 0.90 times as on March 31, 2023(Prov.) and 2021 respectively. The debt to EBITDA of the company stood at 3.92 times as on March 31, 2023(Prov.) as against 3.42 times as on March 31, 2022. Acuité believes the company will be able to maintain its financial risk profile in the absence of any major debt-funded capex plan over the medium term.

Weaknesses

- **Moderate scale of operations and competitive nature of industry**

SSSIPL's scale of operations continues to be moderate with revenues of Rs. 68.68 Cr in FY2023 (Prov.), which declined from 19 percent from Rs. 85.77 Cr in FY2022 owing to slowdown in order execution due to the pandemic. Though the revenues are declined company is able to improve and sustain its operating margin within the range of 8-8.7 percent over the past three years through FY2023(Prov.). The civil-construction industry is intensely competitive on account of fragmented nature with presence of a large number of players. Also, tender nature of business constrains the business risk profile. Acuité believes that The ability of the company to increase the scale of operations by timely execution of the outstanding order book coupled with healthy order book addition will be critical to revenue growth in the medium term.

- **Working capital management**

The working capital management of the company is intensive in nature , GCA days stood at 213 days as on March 31, 2023(Prov.) as against 161 days as on March 31, 2022. Inventory days stood at 84 days as on March 31, 2023(Prov) as against 104 days as on March 31, 2022. Subsequently, the payable period stood at 45 days as on March 31, 2023(Prov.) as against 53 days as on March 31, 2022 respectively. The debtors day stood at 59 days as on March 31, 2023(Prov.) as against 42 days as on March 31, 2022. Further, the average bank limit utilization in the last six months ended March, 23 remained at ~82 percent for fund based and 66 percent for non-fund based. Acuité believes that the operations of the SSSIPL will remain high working capital intensive over the medium term.

Rating Sensitivities

- Sustained increase in order inflow, providing adequate revenue visibility for the medium term
- Significant improvement in scale of operations while maintaining profitability margins, Further stretch in the working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile and liquidity
- Timely execution of its order book

Material covenants

None

Liquidity Position: Adequate

The company has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.3.86 Cr in FY2023(Prov.) as against the repayment of Rs.1.98 Cr for the same period and expected to generate cash accruals in the range of Rs.4.16-4.74 Cr. against CPLTD of Rs.2.12- 2.38 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 1.09 Cr as on March 31, 2023(Prov). The current ratio of the company stood at 1.60 times as on March 31, 2023(Prov). Further, the average bank limit utilization in the last six months ended March, 23 remained at ~82 percent for fund based and 66 percent for non-fund based. Acuité believes that the liquidity of the SSIPL is likely to remain adequate over the medium term on account of adequate cash accruals against its repayment obligations.

Outlook: Stable

Acuité believes that SSSIPL will maintain a 'Stable' outlook over the medium term backed by its experienced management and adequate revenue visibility. The outlook may be revised to 'Positive' in case of sustenance of the revenues and profitability margins while improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or larger-than-expected debt- funded capital expenditure or any significant advances to any group entities resulting in deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	68.68	85.77
PAT	Rs. Cr.	2.84	3.43
PAT Margin	(%)	4.14	4.00
Total Debt/Tangible Net Worth	Times	0.63	0.71
PBDIT/Interest	Times	2.30	2.40

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.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
04 Mar 2022	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Assigned)
	Secured Overdraft	Long Term	9.00	ACUITE BB+ Stable (Assigned)
	Proposed Bank Facility	Long Term	4.00	ACUITE BB+ Stable (Assigned)
	Secured Overdraft	Long Term	5.00	ACUITE BB+ Stable (Assigned)
	Bank Guarantee	Short Term	50.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	41.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	24.50	ACUITE BB+ Stable Reaffirmed
Canara Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE BB+ Stable Reaffirmed

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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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