



Press Release
SRI SATYA SAI INFRASTRUCTURE PRIVATE LIMITED
March 31, 2025
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	53.00	ACUITE BB- Stable Upgraded	-
Bank Loan Ratings	30.00	-	ACUITE A4+ Upgraded
Total Outstanding Quantum (Rs. Cr)	83.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to ‘ACUITE BB-’ (read as ACUITE double B 'minus') from ‘ACUITE B+’ (read as ACUITE B 'plus') on the Rs. 53.00 Cr. bank facilities and its short-term rating to 'ACUITE A4+' (read as ACUITE A four 'plus') from 'ACUITE A4' (read as ACUITE A four) on the Rs. 30.00 Cr. bank facilities of Sri Satya Sai Infrastructure Private Limited (SSSIPL). The outlook is ‘Stable’.

Rationale for rating upgrade :

Acuite, vide its press release dated 13th March 2025, upgraded its rating on account of SSSIPL meeting the curing period criteria for rating restoration post the reported delay in line with Acuite's criteria of recognition of default. SSSIPL had appealed the earlier rating action and provided an updated order book position alongside clarifications about its overall liquidity position. Consequently, Acuite considers the improvement in the company's order book, which stands at Rs.694.35 Cr. as of March 2025. Further, it continues to factor in the improved operating income in FY2024, and its moderate financial risk profile. Additionally, it considers the extensive experience of the promoters of more than three decades in the civil construction business.

However, the rating remains constrained by presence of a substantial portion of slow-moving orders in the order book, intensive working capital management, and tender-based nature of operations

About the Company

In 1980, Mr. Sathya Murthy Vemula 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 Sri Satya Sai Infrastructure Private Limited (SSSIPL). It is involved in civil construction projects, particularly 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 currently managed by the director, Mr. Sathya Murthy Vemula, and his son, Mr. Ranjith Kumar Vemula.

Unsupported Rating

Not applicable

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 over three decades of experience in the civil construction business. Mr. Vemula is further supported by his son, Mr. Rajnath Kumar Vemula, along with other family members. The company's long tenure in the civil construction space has helped it establish strong relationships with various government bodies, leading to repeated business. Acuité believes that the unexecuted order book and the promoter's established presence in civil construction will support SSSIPL's business profile over the medium term.

• **Moderate financial risk profile**

The financial risk profile of the company is moderate, marked by moderate net worth, debt protection metrics, and low gearing. The net worth of the company stood at Rs. 49.24 Cr. and Rs. 43.22 Cr. as of March 31, 2024, and 2023, respectively. The improvement in net worth is due to the accretion of reserves. The gearing of the company stood at 0.34 times as of March 31, 2024, against 0.73 times as of March 31, 2023. Debt protection metrics – the interest coverage ratio and debt service coverage ratio – stood at 3.19 times and 1.81 times as of March 31, 2024, respectively, compared to 2.87 times and 1.55 times as of March 31, 2023. TOL/TNW stood at 0.65 times and 0.95 times as of March 31, 2024, and 2023, respectively. The debt to EBITDA of the company improved to 1.36 times as of March 31, 2024, compared to 3.42 times as of March 31, 2023. The improvement is on account of lower bank limit utilization levels as of March 31, 2024. Acuité believes that the financial risk profile will remain moderate in the absence of any major debt-funded capital expenditure plan in the near term.

Weaknesses

• **Moderate order book, with a considerable portion consisting of slow-moving orders**

The company's order book is moderate, with an unexecuted order book position of Rs. 694.35 Cr. as of March 11, 2025. Additionally, the company received a new order valued at Rs. 158.14 Cr. in January 2025. However, of the total outstanding order book, approximately 13.80% pertains to orders received in FY2010, 29% to orders received in FY2017, and around 18% to orders received in FY2018. Orders received in FY2024 account for 10.91% of the unexecuted order book, indicating that a significant portion of the order book consists of slow-moving orders with an ageing of more than 10 years. The order book position is expected to show relatively slower movement over the medium term. Acuité believes that significant movement in the order book will be a key factor in scaling up operations in the near to medium term.

• **Working capital intensive operations**

SSSIPL's working capital operations are intensive, as reflected in its gross current assets (GCA) of 190 days in FY2024, compared to 327 days in FY2023. However, there is an improvement in the GCA days in FY2024 mainly due to improved inventory days and debtor days. Inventory days stood at 108 days in FY2024, compared to 204 days in FY2023. Debtor days stood at 4 days as of March 31, 2024, compared to 57 days as of March 31, 2023. Furthermore, the reliance on bank limits utilization remained high with almost full utilization of its fund-based working capital limits and ~58 percent utilization for the non-fund-based limits over the past seven months ending in January 2025. Acuité believes that the working capital cycle will continue to remain in a similar range over the medium term, considering the nature of the industry.

• **Tender based operation**

The industry is unorganized and highly competitive; hence, revenue generation is dependent on the company's ability to succeed in receiving tenders.

Rating Sensitivities

- Significant improvement in order book, providing adequate revenue visibility for the medium term
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity profile
- Timely execution of its order book

Liquidity Position: Stretched

SSSIPL's liquidity is stretched, marked by high utilization of working capital limits, working capital intensive nature of business marked by high GCA days. However, the company generated net cash accruals of Rs.7.19 Cr. in FY2024 as against the repayment of Rs.2.27 Cr. during the same period. SSSIPL's working capital is intensive as evident from Gross Current Asset (GCA) of 190 days in FY2024. Going forward, the company is expected to generate sufficient net cash accruals against its maturing debt obligations over the medium term. Unencumbered cash and bank balances stood at Rs. 3.55 Cr. as on March 31, 2024. The current ratio of the company stood at 2.25

times as on March 31, 2024. Furthermore, the reliance on bank limits utilization remained high with almost full utilization of tis fund-based working capital limits and ~58 percent utilization for the non-fund-based limits over the past seven months ending in January 2025. Acuité believes that the liquidity of the company will improve, supported by expected increase in accruals in the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	106.83	63.50
PAT	Rs. Cr.	6.02	3.53
PAT Margin	(%)	5.63	5.56
Total Debt/Tangible Net Worth	Times	0.34	0.73
PBDIT/Interest	Times	3.19	2.87

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

Not applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

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, 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Mar 2025	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A4 (Reaffirmed)
	Secured Overdraft	Long Term	25.00	ACUITE B+ Stable (Upgraded from ACUITE C)
	Secured Overdraft	Long Term	10.00	ACUITE B+ Stable (Upgraded from ACUITE C)
	Proposed Long Term Bank Facility	Long Term	18.00	ACUITE B+ Stable (Upgraded from ACUITE C)
07 Feb 2025	Bank Guarantee (BLR)	Short Term	41.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Secured Overdraft	Long Term	14.00	ACUITE C (Downgraded from ACUITE BB Stable)
	Secured Overdraft	Long Term	3.50	ACUITE C (Downgraded from ACUITE BB Stable)
	Proposed Long Term Bank Facility	Long Term	24.50	ACUITE C (Downgraded from ACUITE BB Stable)
14 Aug 2024	Bank Guarantee (BLR)	Short Term	41.00	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	14.00	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
	Secured Overdraft	Long Term	3.50	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
	Proposed Long Term Bank Facility	Long Term	24.50	ACUITE BB Stable (Downgraded from ACUITE BB+ Stable)
24 May 2023	Bank Guarantee (BLR)	Short Term	41.00	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	14.00	ACUITE BB+ Stable (Reaffirmed)
	Secured Overdraft	Long Term	3.50	ACUITE BB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	24.50	ACUITE BB+ Stable (Reaffirmed)
04 Mar 2022	Bank Guarantee (BLR)	Short Term	50.00	ACUITE A4+ (Assigned)
	Bank Guarantee (BLR)	Short Term	15.00	ACUITE A4+ (Assigned)
	Secured Overdraft	Long Term	9.00	ACUITE BB+ Stable (Assigned)
	Secured Overdraft	Long Term	5.00	ACUITE BB+ Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	4.00	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE A4+ Upgraded (from ACUITE A4)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.00	Simple	ACUITE BB- Stable Upgraded (from ACUITE B+)
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BB- Stable Upgraded (from ACUITE B+)
Union Bank of India	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BB- Stable Upgraded (from ACUITE B+)

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About Acuité Ratings & Research

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