



**Press Release**  
**SSS HITECH CONSTRUCTIONS PRIVATE LIMITED**  
**November 06, 2023**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.00	ACUITE BB+   Stable   Assigned	-
Bank Loan Ratings	12.00	ACUITE BB+   Stable   Reaffirmed	-
Bank Loan Ratings	25.00	-	ACUITE A4+   Assigned
Bank Loan Ratings	25.77	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	85.77	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 37.77 Cr bank facilities of SSS HITECH CONSTRUCTIONS PRIVATE LIMITED. The outlook is '**Stable**'.

Further Acuite has assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the 48.00 crore bank facilities of SSS HITECH CONSTRUCTIONS PRIVATE LIMITED. The outlook is '**Stable**'.

**Reason for reaffirmation**

The rating factors in the improvement in the business risk profile of the company in FY2023. The revenue of the company stood at Rs.102.33 crore in FY2023 (Prov) as against the revenue of Rs.88.83 crore in FY2022. Further, the company has a healthy order book position of ~Rs.373.00 crore on August 2023 which is likely to improve the business risk profile of the company in medium term. The ratings also take into account the moderate financial risk profile of the company. The ratings are however constrained by the working capital-intensive nature of operations of the company leading to a high bank limit utilisation and stretched liquidity position of the company.

**About the Company**

SSS Hi-Tech Constructions Private Limited was initially established in 2009, as a partnership under the name of SSS Constructions promoted by Mr. Natesan Srinivasan and his family members; it was reconstituted as a private limited company in 2012. The company is engaged in civil construction activities like construction of Buildings, and other civil construction activities mainly in Tamilnadu. The company majorly works for the government entities such as CPWD Tamilnadu, Puducherry and Andhra Pradesh. The operations of the company are currently headed by Mr. Natesan Srinivasan and Mrs. Sreedevi.

**Unsupported Rating**

Not Applicable

## Analytical Approach

Acuité 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. Natesan Srinivasan have extensive experience of more than two decades in the field of civil construction. The promoter is further supported by 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 August 31, 2023, SSS Hi Tech had an unexecuted order book position of ~Rs.373.00 Cr which provides adequate revenue visibility over the medium term. Acuité believes that unexecuted order book, promoter's established presence in civil construction works will support SSS Hi Tech's business profile over the medium term.

##### **Moderate Financial Risk Profile**

The tangible net worth of the company stood at Rs.29.91 crore as on March 31, 2023 (Prov), as against Rs.25.31 crore as on March 31, 2022. The gearing of the company stood low at 0.47 times as on March 31, 2023(Prov), as against 0.45 times as on March 31, 2022. The total debt of the company consists of long-term debt of Rs.0.29 crore, unsecured loans of Rs.1.54 crore and short-term debt of Rs.10.84 crore as on March 31, 2023 (Prov). The interest coverage ratio stood at 4.82 times as on March 31, 2023 (Prov), as against 4.12 times as on March 31, 2022. The DSCR stood at 1.81 times as on March 31, 2023 (Prov), as against 2.92 times as on March 31, 2022. Acuité believes the company will be able to maintain its moderate financial risk profile in the medium term.

#### Weaknesses

##### **Working capital intensive nature of operations**

The company's working capital operations are intensive and is a characteristic trait for such contractors. The GCA days stood at 244 days as on March 31, 2023(Prov), as against GCA days of 213 days as on March 31, 2022. The inventory days stood at 80 days for FY23(Prov) as against 49 days for FY22. The average inventory holding period is around 60 days. The debtors' days stood at 102 days for FY23(Prov) as against 84 days for FY22. The average credit period allowed to the customers is around 90 days. The creditors days stood at 203 days for FY23 (Prov) against 160 days for FY22. The average credit period received from the supplier is around 35-60 days. The average utilization of the bank limits is moderate at around 84 percent for six months ending September 2023. Acuité believes the company the ability of the company to improve its working capital management will be a key rating sensitivity in the medium term.

##### **Fragmented and intensely competitive nature of the industry**

The highly fragmented nature of the civil construction industry, coupled with a tender-based contract-awarding system, keeps its margins under check. The presence of several large and small scale players in the construction industry leads to intense competition in the bidding process, which puts pressure on the company's revenue and profitability. 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.

#### Rating Sensitivities

Any large debt-funded capital expenditure, resulting in deterioration of financial risk profile.  
Timely execution of its large order book.

Further stretch in the liquidity position of the company.

### **All Covenants**

Not Available

### **Liquidity position: Stretched**

The company has a stretched liquidity position marked by high bank limit utilisation. The company generated cash accruals of Rs.5.49 crore in FY23(Prov) as against maturing debt obligations of Rs.2.21 crore over the same period. The company is estimated to generate cash accruals of Rs.7.79-8.70 crore over the period 2024-2025 against maturing debt obligations of Rs.1.59-1.97 crore over the same period. The company's average bank limit utilisation for six months ended September 2023 was around ~84 percent. The company availed adhoc limits of Rs.2 Cr for three out of the six months period. The company maintains unencumbered cash and bank balance of Rs.0.29 crore as on March 31, 2023(Prov). The current ratio stood at 1.49 times as on March 31, 2023 (Prov).

### **Outlook: Stable**

Acuité believes that SSS Hi Tech 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 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.	102.33	88.83
PAT	Rs. Cr.	4.60	3.72
PAT Margin	(%)	4.49	4.19
Total Debt/Tangible Net Worth	Times	0.47	0.45
PBDIT/Interest	Times	4.82	4.12

### 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>
- 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Jul 2023	Bank Guarantee	Short Term	19.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Proposed Cash Credit	Long Term	4.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Short Term	0.77	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	6.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
12 May 2022	Proposed Bank Facility	Short Term	0.77	ACUITE A3+ (Assigned)
	Proposed Cash Credit	Long Term	4.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	19.00	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	6.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB-   Stable (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	25.00	ACUITE A4+   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BB+   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A4+   Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUITE BB+   Stable   Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.77	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BB+   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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