



Press Release

Cmrm Infraa Engineering Private Limited (Erstwhile Sree Lakshmi Elec Services)

August 29, 2023

Rating Reaffirmed

Product	Qtm(Rs Cr)	Long Term Loan	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	40.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	45.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating reaffirmed of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 45.00 Cr bank facilities of CMRM INFRAA ENGINEERING PRIVATE LIMITED (ERSTWHILE SREE LAKSHMI ELECTRICAL SERVICES) (CIEPL). The outlook is '**Stable**'.

Rating Rationale

The rating takes into account the improved operating performance and moderate financial profile of CIEPL. The Company's revenue stood at Rs.113.93 Cr in FY2023(Prov.) as against Rs. 67.29 Cr in FY2022. The operating margins ranged between 6.5-5.78 percent for the last two years ended FY2023. The financial risk profile of CIEPL continues to be moderate with comfortable debt protection metrics and low gearing. The overall gearing of the Company stood at 0.37 times as on March 31, 2023 (Prov.) as against 0.17 times as on March 31, 2022. The interest coverage ratio stood at 6.59 times in FY2023(Prov.) as against 4.31 times in FY2022.

The rating continues to derive strength from the promoters' experienced management and moderate financial risk profile. The rating albeit is constrained by its Working capital intensive operations and highly competitive and fragmented industry with tender-based nature of business for electrical construction works.

About the Company

CMRM INFRAA ENGINEERING PRIVATE LIMITED (Formerly known as Sree Lakshmi Electrical Services) established as a proprietor concern in the year 2003, promoted by Mr. Chandra Mohan Reddy. In June 2013, it was reconstituted as a partnership firm. Mr. Chandra Mohan Reddy is the firm's Managing Partner, and his spouse, Mrs. Sowbhagya Lakshmi, is the firm's other partner. The same directors reconstituted it as a private company in March 2021. The company is an electrical contractor and is a registered Class I contractor with the Government of Telangana, Andhra Pradesh, and Karnataka.

Analytical Approach

Acuite has taken the standalone view of business and financial risk profile of CIEPL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced Management

Established in 2003, by Mr. Chandra Mohan Reddy, who has more than two decades of experience in the electrical and related construction industry. CIEPL is engaged in executing turnkey electrical projects for various Government departments of Andhra Pradesh (GoAP), Telangana (GoTS), and Karnataka. The promoter extensive industry experience and timely execution of projects has been able to establish longstanding relationship with various government as well as private clients. The Company is a registered class I contractor with different states and local governing bodies. Apart from working with Transmission Corporations of Telangana and Andhra Pradesh, various power distribution companies (Discoms) of GoAP, GoTS, Karnataka and other states. The timely execution of the projects has helped the company in improving its market presence, besides continued business from its reputed clientele.

- **Moderate financial risk profile**

CIEPL has an moderate financial risk profile marked by moderate capital structure and moderate debt protection metrics. The tangible net worth stood at Rs. 26.75 Cr as on March 31, 2023 (Prov.) as against Rs. 22.22 Cr as on March 31, 2022. The gearing of the company stood at 0.59 times as on March 31, 2023 (Prov.) against 0.17 times as on previous year. Further, the interest coverage ratio stood at 6.59 times as on March 31, 2023 (Prov.) as against 4.31 times as on March 31, 2022. DSCR stood at 3.82 times as on March 31, 2023(Prov.) as against 4.31 times as on March 31, 2022. The debt to EBITDA of the company stood at 2.18 times as on March 31, 2023(Prov.) as against 0.86 times as on March 31, 2022. However, the TOL/TNW stood to 2.28 times as on March 31, 2023(Prov.) as against 2.56 times as on March 31, 2022. Acuité believes that the financial risk profile of CIEPL will continue to remain moderate over the medium term in the absence of any major debt-funded capital expenditure.

Weaknesses

- **Working capital intensive operations**

The operations of the company are working capital intensive marked by Gross Current Asset (GCA) days of 259 days as on March 31, 2023(Prov.) as against 382 days as on March 31, 2022. The GCA days are marked by high debtors days. Inventory days stood at 51 days as on March 31, 2023(Prov.) as against 79 days as on March 31, 2022. The debtors day stood at 129 days as on March 31, 2023(Prov.) as against 165 days as on March 31, 2022. Subsequently, the payable period stood at 161 days as on March 31, 2023(Prov.) as against 502 days as on March 31, 2022 respectively. Further, the average bank limit utilization in the last nine months ended July, 23 remained at ~67 percent for fund based and 78 percent for non-fund based.

- **Highly competitive and fragmented industry with tender-based nature of business for electrical construction works**

CIEPL operates in highly competitive and fragmented industry with presence of sever - players and tender nature of business. CIEPL is into mid-size projects, wherein the competition is moderate vis-à-vis high or low value projects. However, the risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts, and susceptibility to inherent cyclicity in the works and private investment in case of nongovernment projects. Also, site clearance issues of evacuation, movement of public infrastructure (electrical, telephone, water pipelines among others) poses risk of delay in project execution, and thus impacting the revenues. Acuité expects CIEPL enjoys the operational advantage and timely completion of the projects leading to securing business from corporates regularly.

Rating Sensitivities

- Significant improvement in scale of operations, while maintaining profitability margins
- Any large debt-funded capital expenditure, resulting in deterioration of financial risk

- profile
- Timely execution of its order book

All Covenants

None

Liquidity Position: Adequate

The liquidity profile of CIEPL is adequate marked by its adequate net cash accruals to its maturing debt obligations. The company has reported cash accruals of Rs.4.77 Cr. in FY2023 (Prov.) as against current portion of long term debt (CPTLD) of Rs. 0.44 Cr, and expected to generate cash accruals in the range of Rs.5-7 Cr. against CPLTD of Rs.0.67- 0.71 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs.5.02 Cr as on March 31, 2023 (Prv.). The current ratio of the company stood at 1.52 times as on March 31, 2023(Prov.).Acuité believes that though cash accruals are adequate, however, incremental working capital requirement for the growing size of operations are expected to absorb the cushion in the liquidity, though expected to continue at adequate levels.

Outlook: Stable

Acuité believes that CMRM 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

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	113.93	67.29
PAT	Rs. Cr.	4.45	3.21
PAT Margin	(%)	3.91	4.77
Total Debt/Tangible Net Worth	Times	0.37	0.17
PBDIT/Interest	Times	6.59	4.31

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

Care vide its press release dated 14th Sept 2022, had downgraded the company to CARE B+/Stable/A4; Issuer Not Cooperating.

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
08 Jun 2022	Secured Overdraft	Long Term	5.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	25.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Letter of Credit	Short Term	3.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Bank Guarantee	Long Term	12.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
26 Feb 2021	Letter of Credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	17.00	ACUITE A3 (Reaffirmed)
18 Feb 2021	Proposed Bank Facility	Short Term	5.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Bank Guarantee	Short Term	17.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Upgraded from ACUITE A4+)
23 Oct 2020	Proposed Secured Overdraft	Long Term	2.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Secured Overdraft	Long Term	3.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	12.50	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Proposed Letter of Credit	Short Term	5.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	7.50	ACUITE A4+ (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A4+ Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A4+ 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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