



Press Release

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

October 31, 2024

Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	15.00	-	ACUITE A3 Assigned
Bank Loan Ratings	50.00	-	ACUITE A3 Upgraded
Total Outstanding Quantum (Rs. Cr)	75.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 60.00 Cr. bank facilities of CMRM Infraa Engineering Private Limited (Erstwhile Sree Lakshmi Electrical Services)(CIEPL). The outlook is '**Stable**'.

Acuite has assigned short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 15.00 Cr. bank facilities of CMRM Infraa Engineering Private Limited (Erstwhile Sree Lakshmi Electrical Services)(CIEPL).

Rationale for Upgrade and assigned:

The rating upgrade reflects steady improvement in scale along with EBITDA margins in FY2024 and a comfortable financial profile of the company. Rating also factors its sizeable order book position, providing medium-term revenue visibility. The rating continues to derive strength from the promoters' experienced management in the infrastructure sector.

The rating, albeit, is constrained by its working capital-intensive operations and highly competitive and fragmented industry with a tender-based nature of business for electrical construction works.

About the Company

Telangana based, CMRM Infraa Engineering Private Limited (Erstwhile Sree Lakshmi Electrical Services) was established as a proprietorship 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.

Unsupported Rating

Not Applicable

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, with extensive industry experience and timely execution of projects, has been able to establish longstanding relationships 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 improve its market presence, besides continued business from its reputed clientele.

- **Improvement in scale of operations and sizeable order book position**

The operating income of the company has shown YOY growth of 31.88 percent in FY2024 as compared to the previous year. It stood at Rs 150.25 Cr. in FY2024 as against Rs 113.93 Cr. in FY2023. The improvement in the revenue is on account of the execution of more orders in Q4 of FY2024 and orders executed on time. Profitability margin, i.e., EBITDA margin, improved and stood at 7.14 percent in FY2024 as against 5.54 percent in FY2023. The reason behind the improvement in the margin is mainly due to a decrease in raw material costs during FY2024. The company has an unexecuted order book position of Rs. 267.47 Cr. as of July 31, 2024. The company is planning to execute around Rs.130-135 Cr. in the next 9 months (August 2024–March 2025); the outstanding order book is 1.78x of the FY2024 revenue. All the orders are related to the distribution and transmission of electrical works in Andhra Pradesh and Karnataka states. Acuité believes that CIEPL's scale of operations will remain stable on account of its sizeable order book position and the ability of the company to win new orders.

- **Comfortable financial risk profile albeit moderate net worth**

The CIEPL's financial risk profile is comfortable, marked by comfortable debt protection metrics, low gearing, and moderate net worth. The tangible net worth stood at Rs. 31.41 Cr. as on March 31, 2024, as against Rs. 26.55 Cr. as on March 31, 2023. The improvement is on account of accretion of net profit in the reserves. The gearing of the company stood at 0.40 times as on March 31, 2024, against 0.37 times as on previous year. The total debt as on March 31, 2024, consists of working capital limits from banks of Rs. 7.91 Cr, term loans of Rs. 3.65 Cr, and USL of Rs. 1.05 Cr. Further, the interest coverage ratio stood at 4.31 times as on March 31, 2024, as against 6.34 times as on March 31, 2023. DSCR stood at 2.34 times as on March 31, 2024, as against 3.69 times as on March 31, 2023. The debt to EBITDA of the company stood at 1.17 times as on March 31, 2024, as against 1.41 times as on March 31, 2023. However, the TOL/TNW stood to 2.12 times as on March 31, 2024, as against 2.31 times as on March 31, 2023. Acuité believes that the financial risk profile of CIEPL will continue to remain comfortable over the medium term in the absence of any major debt-funded capital expenditure.

Weaknesses

- **Working capital intensive operations with high bank limits utilization:**

The operations of the company are working capital intensive, marked by Gross Current Asset (GCA) days of 208 days in FY2024 as against 252 days in FY2023. However, there is improvement in GCA days in FY2024 as compared to the previous year on account of improved debtor days and inventory days. The GCA days are mainly marked by debtor days. Inventory days stood at 22 days in FY2024, as against 50 days in FY2023. Debtor days stood at 115 days in FY2024 as against 147 days in FY2023. The improvement in debtor days is on account of payments being on time. Additionally, the company is managing its operations with a minimal working capital limit of Rs. 8.00 Cr, which was highly utilized at an average of 99 percent during the past 6 months ending September 2024. Subsequently, the payable period stood at 162 days in FY2024 as against 188 days in FY2023, respectively. Further, the average bank limit utilization in the last six months ended September 24 remained at ~99 percent for fund-based and 90 percent for non-fund-based.

- **Fragmented nature of industry and high regulatory intervention limits pricing flexibility**

Given the highly fragmented nature of the pharmaceutical distribution business, the company's pricing flexibility is limited. Besides, CIEPL's operations are also exposed to changes in regulatory policy pertaining to pharmaceutical industry.

Rating Sensitivities

- Timely execution of its order book leading to substantial improvement in scale of operations while

- maintaining profitability margins over the medium term
- Any large debt-funded capital expenditure, resulting in deterioration of financial risk profile
- Any deterioration in working capital cycle and liquidity profile of the company

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. 5.97 Cr. in FY2024 as against the current portion of long-term debt (CPTLD) of Rs. 1.12 Cr. and is expected to generate cash accruals in the range of Rs. 6.71–7.75 Cr. against CPLTD (Current portion of long term debt) of Rs. 1.34–1.67 Cr. over the medium term. Unencumbered cash and bank balances stood at Rs. 0.81 Cr. as on March 31, 2024. The current ratio of the company stood at 1.49 times as on March 31, 2024. Further, the average bank limit utilization in the last six months ended September, 24 remained at ~98 percent for fund-based and 90 percent for non-fund-based. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of the working capital-intensive nature of operations.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	150.25	113.93
PAT	Rs. Cr.	5.70	4.25
PAT Margin	(%)	3.80	3.73
Total Debt/Tangible Net Worth	Times	0.40	0.37
PBDIT/Interest	Times	4.31	6.34

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, 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
27 Sep 2023	Letter of Credit	Short Term	6.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	10.00	ACUITE A4+ (Assigned)
	Proposed Bank Guarantee	Short Term	9.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	25.00	ACUITE A4+ (Reaffirmed)
	Proposed Cash Credit	Long Term	5.00	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BB+ Stable (Reaffirmed)
29 Aug 2023	Bank Guarantee/Letter of Guarantee	Short Term	25.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	9.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	6.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB+ Stable (Reaffirmed)
08 Jun 2022	Bank Guarantee/Letter of Guarantee	Short Term	25.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Bank Guarantee	Short Term	12.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Letter of Credit	Short Term	3.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Secured Overdraft	Long Term	5.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
26 Feb 2021	Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	17.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	20.00	ACUITE A3 (Reaffirmed)
18 Feb 2021	Bank Guarantee (BLR)	Short Term	17.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Letter of Credit	Short Term	3.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed Short Term Bank Facility	Short Term	5.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Secured Overdraft	Long Term	5.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	33.00	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE A3 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Not Applicable	Not avl. / Not appl.	Proposed Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
Not Applicable	Not avl. / Not appl.	Proposed Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE A3 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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