

## Press Release

### SRM Contractors Private Limited

June 27, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.00	ACUITE BBB   Stable   Assigned	-
Bank Loan Ratings	51.00	-	ACUITE A3+   Assigned
Total Outstanding Quantum (Rs. Cr)	55.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB (read as ACUITE triple B)**' and short term rating of '**ACUITE A3+ (read as ACUITE A three plus)**' on the Rs.55.00 Cr bank facilities of '**SRM Contractors Private Limited**' (SCPL). The outlook is '**Stable**'.

The ratings factor in the long and established track record of SRM Contractors Private Limited (SCPL) in construction sector leading to year-on-year growth in total operating income during FY20-22 (Prov.) along with profitability resulting in comfortable financial risk profile and adequate liquidity. The rating also factors in satisfactory order book with healthy order addition on year on year basis. The above strengths are however, underpinned by working capital intensive nature of operations with higher GCA days concentration of order book.

## About the Company

SRM Contractors Private Limited is a Jammu based company was incorporated in September 2008. The company is engaged in Infrastructural projects such as roads, bridges, canals, dams, tunnels and small hydro projects. The company has in past executed various work orders for both Private and Government clients.

## Analytical Approach

The team has considered standalone financials of SRM Contractors Private Limited to arrive at rating

## Key Rating Drivers

### Strengths

#### Established track record of operation with experienced promoters

The company was incorporated in 2008 and hence has experience of more than decades of operations in industry. SCPL is being managed by experienced promoter across various field. The company is managed by Mr. Sanjay Mehta (Managing Director), who has 18 years of experience in Administration, Manufacturing & construction field. Vinod Kohli has more than

38 years of experience in execution of civil projects especially in Irrigation & flood control, tunnels and hydropower. Mr. Vikas Vaid has more than 20 years of experience in project planning and execution.

### **Increase in total operating income led by healthy order addition**

The total operating income of the company increased from Rs.96.96 crore in FY20 to Rs. 161.13 crore in FY21 and further to Rs.263.63 crore in FY22 (Prov.), thereby registering CAGR of 64.89%. The same is led by healthy addition of orders to the tune of Rs.110-290 crore during FY20-21 and execution of same. The operating profit also increased to Rs.26.69 crore in FY22 (Prov.) as against Rs.17.51 crores in FY21 (Rs.10.71 crore in FY20). The operating profit margin on an average remained at 10.68% during FY20-22 (Prov.). The net profit also increased significantly, almost doubling on year on year basis, from Rs. 3.66 crore in FY20 to Rs.7.75 crore in FY21 and further to Rs.14.64 crore in FY22. The net profit margin has also increased from 3.78% in FY20 to 4.81% in FY21 and further to 5.55% in FY22 (Prov.).

### **Healthy order book position**

The outstanding order book of the company remained around Rs.650.0 crore as on June 2022. The order book is spread across 20 orders with ticket size ranging between Rs.3.0-154.0 crore. Albeit, the major portion of order given below is expected to be executed by FY23-24. Hence, the order book provides medium term revenue visibility. SCPL also has escalation clause for majority contracts w.r.t material and labour, each correlated to respective indices. The company has also been executing orders on joint venture for the purpose of qualification for the project.

### **Comfortable financial risk profile**

The capital structure as represented by debt equity ratio has been improving during last three years ending March 31, 2022 (Prov.). The same is backed by accretion of profit to reserves. Hence, the debt equity ratio improved to 0.79 times in FY22 (Prov.) as against 1.30-1.31 times in FY20-21. The total outstanding liability to tangible net worth also improved from 3.57 times in FY20 to 3.30 times in FY21 and further to 1.94 times in FY22. The net cash accruals to total debt also improved to 0.62 times in FY22 over 0.38 times in FY21 (0.33 times in FY20). The interest coverage ratio has also been improving year on year, led by increase in operating profit. The ICR on an average remained at 8.53 times during FY20-22 (Prov.). Similarly, debt-EBITDA also improved to 1.22 times in FY22 as against 1.92 times in FY21 (2.11 times in FY20).

### **Weaknesses**

#### **Higher Gross Current Asset (GCA) days.**

The Gross Current Asset days remained at higher level, at 108-189 days during FY20-22 (Prov.) The debtor's days improved to 40 days in FY22 vis-à-vis 57 days in FY21 (29 days in FY20). The elongation in FY21 was mainly on account of delayed realization of receivables led by COVID lockdown. The company realizes bill within 40 days of raising. The average monthly billing collection has remained at Rs.26.61 crore during FY22. Nevertheless, the creditor days has been improving to 80 days in FY22 as against 158 days in FY21 (228 days in FY20). The company receives credit period of 2-3 months from its suppliers. The average working capital utilization for past 12 months ending March 2022 remained at higher level at 91%.

### **Concentrated order book**

The order book is concentrated with top three orders aggregating Rs. 194.80 crore constituting to ~44% of outstanding work in hand, thereby having moderate concentration on ticket size front. The order book is also geographically concentrated with entire work orders being executed in Jammu region. There is also clientele concentration with IRCON constituting to around 40% of revenue.

### **ESG Factors Relevant for Rating**

Not Applicable

### **Rating Sensitivities**

>Significant increase in total operating income led by increase in profitability  
>Any elongation in Gross Current Asset days.

### Material covenants

None

### Liquidity Position: Adequate

The net cash accruals of the company remain at adequate level with net cash accruals of Rs. 20.34 crore in FY22 (Prov.) as against Rs.12.92 crore in FY21 (Rs.7.97 crore in FY20) as against the debt repayment obligation of Rs.8.0 crore during FY22. The net cash accrual is expected to remain at Rs.21-25 crore during FY23-24 as against debt repayment of Rs.7.60-7.90 crore during the year. The company has maintained cash and bank balance of Rs. 7.11 crore as on March 31, 2022 (Prov.). The current ratio also remained above unity at 1.64 times in FY22 as against 1.40 times in FY21 (1.30 times in FY20).

### Outlook: Stable

Acuité believes that the outlook on SCPL will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability and successful execution of work orders. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or reduction in operating income of the company and delay in execution of work order.

### Other Factors affecting Rating

Not Applicable

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	263.63	161.13
PAT	Rs. Cr.	14.64	7.75
PAT Margin	(%)	5.55	4.81
Total Debt/Tangible Net Worth	Times	0.79	1.30
PBDIT/Interest	Times	12.39	7.65

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History :

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	41.50	ACUITE A3+   Assigned
J&K Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A3+   Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB   Stable   Assigned
J&K Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB   Stable   Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3+   Assigned

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  J. Subhadra Senior Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:j.subhadra@acuite.in">j.subhadra@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.