

Press Release
SAIYYED AKHTAR ALI
April 05, 2024
Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.22	ACUITE BB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	25.22	-	-

Rating Rationale

Acuite has upgraded its long-term rating to '**ACUITE BB- (read as ACUITE double B minus)**' from '**ACUITE D (read as ACUITE D)**' on Rs.25.22 Cr. bank facilities of Saiyyed Akhtar Ali. The outlook is '**Stable**'.

Rationale for rating upgrade:

The rating upgrade takes into consideration regularised account conduct for the months of December 2023, January 2024 and February 2024 as independently confirmed by the lending institution of Saiyyed Akhtar Ali group.

The group's operating income stood at Rs.295.82 Cr. in FY23 from Rs. 205.95 Cr. in FY22. The revenue levels are supported by the group's diversified stream of business marked by manufacturing, trading and civil construction works. The operating margins stood at 17.11 percent in FY23 as against 11.99 percent in FY22. The group's financial risk profile is moderate marked by the improving network, comfortable gearing and debt protection metrics. The rating is however constrained by the group's working capital intensive nature of operations, and the inherent risk associated with partnership/proprietorship concern. Going forward, Acuite expects the group to continue with timely servicing of its debt obligations.

About Company

Established in 2003, Saiyyed Akhtar Ali (SAA) is a Ratlam, Madhya Pradesh based firm. The partners are Mr. Saiyyed Akhtar Ali, Mr. Mohabbat Ali (brother of Akhtar Ali), Mr. Saiyyed Afsar Ali (brother of Akhtar Ali) and Mr. Saiyyed Avesh Ali (son of Mr. Akhtar Ali). The firm is engaged in the business of civil construction (government and nongovernment work), trading of silico manganese, supplier of sand, gitti, stone chips and other construction material.

About the Group

Established in 2018, MO Infra (MOI) undertakes trading of silico manganese in Madhya Pradesh. The firm is headed by Mr. Saiyyed Akhtar Ali. Established in 2016, VR Construction (VRC) is a Ratlam, Madhya Pradesh based firm engaged in the business of civil construction, trading of silico manganese, supplier of sand, gitti & other construction material and manufacturing of crushed stones. VRC is promoted and headed by Mr. Mohabbat Ali. Based in Ratlam, Madhya Pradesh, SA Infra (SAI) is established in 2016. The firm undertakes civil construction work, trades silico manganese, supplies stone chips. SAI is promoted and headed by Mr. Saiyyed Afsar Ali. Incorporated in 2018, SMO Ferro Alloys Private Limited (SMO)

is a Ratlam, Madhya Pradesh based company engaged in the business of manufacturing ferro alloys. The company is headed by Mr. Saiyyed Akhtar Ali and Mr. Saiyyed Avesh Ali.

Established in 2017, Owais Ali Overseas (OAO) is based in Ratlam, Madhya Pradesh. The firm is engaged in the business of manufacturing and trading of Manganese oxide and silico manganese. The firm is headed by Mr. Saiyyed Avesh Ali. Established in 2017, Garib Nawaz Infra (GNI) is a Ratlam, Madhya Pradesh based firm engaged in the business of manufacturing and trading of Manganese oxide and silico manganese and supplying stone chips. The firm is headed by Mr. Hasim Khan and Mr. Saiyyed Mohabbat Ali.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profiles of Saiyyed Akhtar Ali (SAA), V R Construction (VRC), SMO Ferro Alloys Private Limited (SMO), Gharib Nawaz Infra (GNI), Owais Ali Overseas (OAO), SA Infrastructure (SAI) and M O Infra (MOI), together referred to as the SAA group. The consolidation is in view of common management, operational & financial linkages between the entities and similar line of business.

Key Rating Drivers

Strengths

Long track record and diversified business operations

The group has established a long track record of operations of around three decades. SAA group has started its business in 1995 and later formed a partnership firm in 2003 as M/s Saiyyed Aktar Ali. The business is managed by Mr. Saiyyed Aktar Ali, along with his three brothers and sons. The group has a diversified stream of operations with presence in civil construction which contributes around 20 per cent of the total revenues, manufacturing business around 40 per cent and trading of ferro alloys contributes nearly 40 per cent. The diversified revenue streams mitigate the impact of cyclicity and competitive pressures in any particular business segment. In addition, the group has 4 running leased quarry of stones in Madhya Pradesh. The group also has an oxygen manufacturing plant required for the manufacturing of ferro alloys where excess production is sold in the open market. Acuité derives comfort from the group's diversified business operations and the long-standing presence in the industry.

Improving operating performance:

The scale of operations of the group increased to Rs.295.82 Cr. in FY23 from Rs. 205.95 Cr. in FY22. The revenue levels are supported by the group's diversified stream of business marked by manufacturing, trading and civil construction works. The civil construction business achieved growth of 16 per cent in FY23 and the trading activities achieved growth of 7 per cent in FY23. Further the group has registered revenue of ~Rs.300 Cr. till February 2024.

EBITDA margin of the group has improved in FY23 17.11 percent from 11.99 percent in FY22. This improvement is on account of change in product to Ferro silicon which has better realization rates. Going forward the group's EBITDA margin is expected to remain in the similar range of 17-18 percent as the group is entitled to receive power cost subsidy from Madhya Pradesh government.

Moderate financial risk profile:

The group's financial risk profile is moderate marked by the gradually improving network, comfortable gearing and debt protection metrics. The adjusted tangible net worth of the

group improved to Rs.185.07 Cr. as on 31st March, 2023 from Rs.132.27 Cr. as on 31st March, 2022 due to accretion to reserves. Acuité has considered unsecured loans of Rs.37.29 Cr. as part of networth as the loans are subordinate to the bank debts. Further, the gearing of the group stood comfortable at 0.89 times as on March 31, 2023 as against 0.64 times as on 31st March, 2022. However, the slight moderation is due to increase in the total debt burden owing to rise in the working capital utilisation and the term debt over the same period. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at a moderate level of 1.13 times as on March 31, 2023 as against 0.91 times as on March 31, 2022. The comfortable debt protection metrics of the group is marked by Interest Coverage Ratio at 3.17 times and Debt Service Coverage Ratio (DSCR) at 2.26 times as on March 31, 2023. NCA/TD stood low at 0.23 times in FY23.

Acuité believes that, going forward, the gearing would witness moderations due to the ongoing capex, however, the financial risk profile of the company will remain above average backed by the steady accruals.

Weaknesses

Working capital intensive nature of operations

The group's working capital operations are intensive in nature marked by Gross Current Asset (GCA) of 247 days as on 31st March, 2023 as against 219 days as on 31st March, 2022. The rise in the GCA days are on account of the high inventory period due to maintaining huge inventory to support the diversified line of operations. Also, the group is required to maintain deposits arising out of contractual obligations. The inventory days rose to 202 days as on 31st March, 2023 from 160 days as on 31st March, 2022. The inventory period rose primarily due to the high stock of accumulated finished goods. However, the debtor days stood comfortable at 26 days as on 31st March, 2023 as against 36 days over the last year. The fund based limit utilisation stood at a moderate level of 80 per cent over the seven months ended February, 2023. The working capital requirement is partially supported by credit of around 42 days from the suppliers. Acuité believes that the working capital cycle of the group will remain around similar levels over the medium term due to the nature of operations.

Constitution as a partnership/proprietorship entity

SAA group comprising of total 2 partnership and 4 proprietorship entity, is exposed to inherent risk of the partners' capital being withdrawn at time of personal contingency and entity being dissolved upon the death/insolvency of the partner. Furthermore, such entities have restricted access to external borrowing.

Rating Sensitivities

- Improvement in scale of operations and profitability margins
- Elongation of working capital cycle
- Timely servicing of debt obligations.

Liquidity Position: Adequate

The group's liquidity position is adequate marked by healthy net cash accruals of Rs.38.77 Cr. in FY2023 as against the long term debt obligations of Rs.6.69 Cr. over the same period. The group is expected to generate net cash accruals in the range of Rs.45-55 Cr. over the medium term with the debt repayment obligations range of Rs.7-13Cr. The improvement in the accruals over the years is mainly due to the increase in profitability.

Unencumbered cash and bank balances of the group stood at Rs.9.60 Cr. as on March 31, 2023 providing additional comfort towards liquidity. The current ratio of the group stood comfortable at 1.45 times as on March 31, 2023. Liquidity is also supported by need based unsecured loans extended by the promoters outstanding at Rs.42.12 Cr. as on March 31, 2023. The fund based limit utilisation stood at a moderate level of 80 per cent over the 11 months ended February, 2024.

Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of the steady cash accruals.

Outlook: Stable

Acuité believes that the outlook of the group will remain stable over the medium term backed by its experienced management, diversified line of operations, above average financial risk profile and the steadily improving business risk profile. The outlook may be revised to 'Positive' in case the group registers higher than expected growth in revenues while sustaining its operating margins along with improvement in the financial risk profile, working capital management and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profit margins or in case of deterioration in the financial risk profile or in case of delays in the completion of the projects or significant elongation in the working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	295.82	205.95
PAT	Rs. Cr.	32.29	15.84
PAT Margin	(%)	10.92	7.69
Total Debt/Tangible Net Worth	Times	0.89	0.64
PBDIT/Interest	Times	3.17	3.03

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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
19 Feb 2024	Cash Credit	Long Term	25.22	ACUITE D Not Applicable (Downgraded from ACUITE BBB- Stable)
30 Nov 2023	Cash Credit	Long Term	25.22	ACUITE BBB- Stable (Reaffirmed)
01 Sep 2022	Bank Guarantee (BLR)	Short Term	9.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	14.50	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	1.72	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
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.22	ACUITE BB- Stable Upgraded (from ACUITE D)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

- 1 Saiyyed Akhtar Ali
- 2 MO Infra
- 3 SMO Ferro Alloys Private Limited
- 4 VR construction
- 5 Gharib Nawaz Infra
- 6 Owais Ali Overseas
- 7 SA Infra

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Katta Akhil Analyst-Rating Operations Tel: 022-49294065 akhil.katta@acuite.in	

About Acuité Ratings & Research

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