



**Press Release**  
**Santhosh Buildwel Infra Private Limited**  
**April 02, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BB+   Stable   Reaffirmed	-
Bank Loan Ratings	29.50	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	41.50	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and its short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.41.50 crore bank facilities of Santhosh Buildwel Infra Private Limited (SBIPL). The outlook is '**Stable**'.

**Rationale for rating assigned.**

The rating reaffirmation takes into account the extensive experience of the management in the constructions business along with long track record of operations company. The rating also factors in the healthy order book position of the company providing steady revenue visibility over the medium term and the average financial risk profile. Furthermore, the rating also considers the fact that the company closely works with the Karnataka Government housing board, irrigation department and undertakes their projects. The rating is however constrained on account of modest scale along with highly working capital-intensive nature of operations and tender based competitive nature of industry.

**About the Company**

Incorporated in 2009, Santhosh Buildwel Infra Private Limited (SBIPL) is an construction company and undertakes civil construction projects for roads, buildings, irrigation, and other infrastructure projects on behalf of various departments of Government of Karnataka as well as private institutions. The company is a part of the Talampally group of companies and specializes in construction of High-rise Buildings, Roads, Bridges, Dams, Canals, Flyovers, Airports, Railway tracks and Housing layout.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered standalone business and financial risk profile of Santhosh Buildwell Infra Private Limited (SBIPL).

**Key Rating Drivers**

**Strengths**

## **Experienced management and long track record of operations**

SBIPL commenced operations from 2009 and is promoted by its directors, Mr. Dhanraj

Shivalingappa Talampally, Mr. Santoshkumar Talampally, and Mr. Devaraj Talampally. The company is a part of Talampally group which was started in 1999 with establishment of Basavakalyan College of Engineering followed by Basavakalyan College of D.Ed & ITI. Currently, Talampally group is diversified into a host of business ventures relating to construction, rubber, bricks, tiles etc. The company majorly undertakes projects from Karnataka Government housing board, and irrigation department under its auspices and has taken up projects such as construction of roads, irrigation, housing & has recently laid the foundation for a polytechnic college in Bidar. The promoters' extensive experience is also reflected through the healthy order book position of the firm of around Rs.216.59 Cr. as on January 2024 which forms 4.5 times of FY2023 revenues providing revenue visibility for the firm over the medium term.

Acuité believes that the promoters' extensive experience will help the firm to maintain longstanding relations with its customers and is expected to support its business risk profile over the medium term.

### **Average financial risk profile**

The financial risk profile of the SBIPL remains average marked by modest net worth and debt coverage indicators. The gearing stood comfortable at 0.53 times as on March 31, 2023, against 0.65 times as on March 31, 2022. The debt-equity is expected to further improve in absence of any additional borrowings. The coverage indicators stood moderate as reflected with interest coverage ratio of 2.51 times for FY2023 against 2.90 times in FY2022 and DSCR of 1.50 times in FY2023 against 1.01 times in FY2022.

### **Weaknesses**

#### **Modest scale of operations**

The scale of operations though increased by ~18% in FY23 to Rs. 49.59 Cr. as against 41.81 Cr. in FY22, continues to remain modest. In 10MFY24, the company has reported revenues of 46.59 Cr. SBIPL reported operating margins of 12.32 % in FY2023 against 11.20 percent in FY2022 and 10.98 percent in FY2021. Operating margins in 10MFY2024 improved to 11.97 % (provisional) due to better margins in some contracts. Further, the PAT on absolute levels stood at Rs. 2.55 Cr. in FY23 against 2.15 Cr. in FY2022 with PAT margins stable at 5.15%.

#### **Intensive working capital cycle**

SBIPL's working capital cycle is intensive marked by higher GCA of 251 days and 214 days during FY2023 and FY2022 respectively. The working capital cycle is dominated majorly by higher inventory days of 139 and 87 days respectively. Further, the debtor days stood at around 60 days in FY2023 against 51 days in FY2022. Further, the company needs to deposit around 5% of the project value in the form of Earnest money deposit apart from the retention money and security deposit which is received after completion of the project. This increases the company's dependence on external borrowings reflected by high bank limit utilization of ~70 percent for 12 months' period ended January 2024. Acuité believes SBIPL's ability to improve its working capital cycle will remain a key rating sensitivity factor.

#### **Tender based business along with competitive and fragmented industry**

SBIPL's major business is bagged through open tenders. Hence, the revenue earned is directly dependent upon the quantum of contracts bagged and executed during the year. Risk becomes more pronounced as tendering is based on minimum amount of bidding of contracts. Company has to do tendering on competitive prices; this may affect the profitability of the firm. Moreover, the infrastructure sector is marked by the presence of various mid to big size players. It might face intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as management has been operating in this industry for more than a decade.

### **Rating Sensitivities**

- Timely execution of the pending order book
- Significant improvement in scale of operations while maintaining profitability.
- Any further stretch in working capital cycle leading to deterioration in the credit profile and the overall liquidity position.

## **Liquidity Position**

### **Adequate**

The liquidity remains adequate as reflected by NCA for FY2023 stood at Rs. 2.90 Cr. against debt obligations of around Rs. 1.10 Cr. However, with certain loans being paid off, the cushion between NCA and repayments is expected to improve in the coming years in absence of any additional debt. The NCA/TD stood low at 0.24 times in FY2023 and 0.19 times in FY2022. The bank limits have remained utilised at around 70 percent for last 12 months ended Jan 2024.

### **Outlook: Stable**

Acuité believes that SBIPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in company's operating income and profitability, while maintaining its working capital cycle and liquidity. Conversely, the outlook may be revised to 'Negative' in case of weakening of its liquidity profile and debt protection metrics

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	49.59	41.81
PAT	Rs. Cr.	2.55	2.15
PAT Margin	(%)	5.15	5.15
Total Debt/Tangible Net Worth	Times	0.53	0.65
PBDIT/Interest	Times	2.51	2.90

### 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
05 Jan 2023	Bank Guarantee (BLR)	Short Term	5.50	ACUITE A4+ (Assigned)
	Bank Guarantee (BLR)	Short Term	24.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BB+   Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BB+   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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.50	ACUITE A4+   Reaffirmed
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	24.00	ACUITE A4+   Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BB+   Stable   Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BB+   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Anush Shetty Associate-Rating Operations Tel: 022-49294065 <a href="mailto:anush.shetty@acuite.in">anush.shetty@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.

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