

Press Release

Sribal Construction Company

January 25, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	8.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	14.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 14.00 crore bank facilities of Sribal Construction Company (SCC). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned reflects the established track record of firm for more than 15 years in the civil construction and structural fabrication industry. Further, the rating draws its comfort from reputed clientele of the firm along with a Y-o-Y growth in revenue. The revenue recorded by the firm till December 22 is Rs 55 Cr against Rs 50.27 Cr in FY 2022 and Rs 46.80 Cr in FY 2021. However, the above mentioned strengths are partly offset by moderate order book position and moderate financial risk profile. Further, it considers the competitive nature of industry along with input cost risk.

About the Company

Sribal Construction Company established in 2007. The firm is engaged in civil construction and structural fabrication. The present proprietor of the company is Mr. R Sakthivel. The registered office of the company is in Bangalore.

Analytical Approach

Acuite has considered standalone business and financial risk profile of Sribal Construction Company to arrive at the rating.

Key Rating Drivers

Strengths

Established track record and extensive experience of promoters

SCC incorporated in 2007 has a established track record of operations with proprietor of the firm Mr R Sakthivel having an experience of more than 15 years in this line of business. The firm has built a longstanding relationship with reputed clientele namely Biocon Biologics Limited, Axxalant Pharma Science, Hindustan CocaCola, United Breweries, etc. The scale of operations of the firm has improved in current year with a revenue of Rs 55 Cr achieved till December 2022 against Rs 50.27 Cr in FY 2022 and Rs 46.80 Cr in FY 2021. However, the current order book position of the company remains moderate at Rs 37 Cr but the same provides revenue visibility for the near term.

Acuite believes that SCC may continue to benefit from extensive experience in this industry alongwith longstanding relationship with reputed clientele.

Moderate working capital operations

The operations of the firm are moderate in nature marked by GCA days of 102 days in FY 2022 against 110 days in FY 2021. The receivable days of the firm remained at 49 days for FY2022 against 68 days for FY 2021 which is in line with average credit period allowed. The inventory levels of the firm stood low at 20 days for FY 2022 against 13 days for FY 2021. The creditor days of the firm stood at 175 days for FY2022 against 197 days for FY2021.

Acuite believes that working capital operations may continue to remain moderate considering the nature of business.

Weaknesses

Moderate financial risk profile

The financial risk profile of the firm is moderate marked by moderate network, moderate gearing and comfortable debt protection metrics. The tangible net worth of the firm stood at Rs. 4.80 crore as on 31st March 2022 as against Rs.4.91 crore as on 31st March 2021 and Rs. 4.32 crore as on 31st March 2020. The decline in network is due to capital withdrawn by the proprietors in 2022 to the amount of around Rs. 3.17 crore. The total debt of the firm stood at Rs. 3.02 crore as on 31st March 2022 as against Rs. 2.89 crore as on 31st March 2021. The debt profile of the firm comprises of Rs. 1.79 crore of unsecured loans, and Rs. 1.22 crore of long-term loans. The unsecured loans are non-interest bearing. The gearing of the firm remained low at 0.63 times as on 31st March 2022 as against 0.59 times as on 31st March 2021 and 0.46 times as on 31st March 2020. The TOL/TNW stood moderate at 3.06 times as on 31st March 2022 as against 2.97 times as on 31st March 2021 and 3.34 times as on 31st March 2020. The debt protection metrics remained comfortable with debt service coverage ratio and interest service coverage ratio of 13.69 times in FY 2022.

Acuite believes that the financial risk profile of the company may continue to remain moderate on absence of any major debt funded capex and withdrawal of profits from the firm.

Extensive competition with regulatory risk

The construction industry is fairly fragmented industry with a presence of few large pan India players. Subcontracting & project specific partnerships for technical/financial reasons are fairly common. The contracts are tender based thereby affecting the margins. Further, it is a fairly regulated industry with a price fluctuation risk of input prices such as cement, bitumen, steel, etc.

Rating Sensitivities

- Significant improvement in revenue and marinating profitability

- Elongation of working capital cycle
- Significant withdrawals of capital

Material covenants

None

Liquidity Position

Adequate

The liquidity position of the firm remains adequate with an average bank limit utilization for fund based facilities stood low at 40.3% and the average bank limit utilisation for non-fund based facilities at 9.2% in last seven months ended December 2022. The firm maintains a cash balance of Rs.1.14 crores as on 31st March 2022. The firm is expected to generate a cash accruals in the range of Rs 6-7 Cr in FY23-24 against the mature debt obligation of Rs 0.17-0.21 Cr during the same tenure.

Acuite believes that the liquidity position of the firm will continue to remain an adequate on account of low reliance on short term borrowings.

Outlook: Stable

Acuite believes that outlook on Sribal Construction Company will continue to remain 'stable' over the medium term on account of experience of the firm in construction industry. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in the company's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening its capital structure and debt protection metrics.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	50.27	46.80
PAT	Rs. Cr.	3.07	3.52
PAT Margin	(%)	6.11	7.53
Total Debt/Tangible Net Worth	Times	0.63	0.59
PBDIT/Interest	Times	13.69	13.43

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

None

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. 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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A4+ Assigned
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.90	ACUITE BB Stable Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A4+ Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BB Stable Assigned
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	1.10	ACUITE BB Stable Assigned

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About Acuité Ratings & Research

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