



**Press Release**  
**Sribal Construction Company**  
**April 24, 2024**

**Rating Reaffirmed and Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.00	ACUITE BB+   Stable   Upgraded	-
Bank Loan Ratings	8.00	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	14.00	-	-

**Rating Rationale**

Acuite has upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) and reaffirmed the 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 upgrade**

The rating upgrade takes into account augmentation in the revenues to Rs. 66.05 crores in FY23 increased from Rs. 50.27 crores in FY22. Further, the company has booked revenues of Rs. 94.82 Cr. in 11MFY2024 and estimated revenues for FY2024 is Rs. 100 Cr. The ratings also takes note of the established track record of firm for more than 15 years in the civil construction and structural fabrication industry along with a reputed clientele of the firm. Acuite takes note of the moderate financial risk profile along with a order book of the firm. However, the ratings are constrained by by moderate order book position and moderate financial risk profile. Further, it considers the competitive nature of industry along with input cost risk. The ratings remain susceptible to the risk of capital withdrawals, given the proprietorship constitution of the firm.

**About the Company**

Established in 2007, Sribal Construction Company is s a proprietorship concern engaged in civil construction and structural fabrication. The present proprietor of the company is Mr. R Sakhivel. The registered office of the company is in Bangalore.

**Unsupported Rating**

Not Applicable

**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

Established in 2007, Sribal Construction Company has a established track record of operations with proprietor of the firm Mr. R Sakthivel having an experience of more than 15 years in the civil construction business. The firm has built a longstanding relationship with reputed clientele namely Biocon Biologics Limited, Axxalant Pharma Science, Hindustan Coca-cola, United Breweries, etc.

### Augumentation in the scale

The scale of operations of the firm has improved with a revenue of Rs. 66.05 crores in FY23 increased from Rs. 50.27 crore in FY22. Further, the company has booked revenues of Rs. 94.83 Cr. in 11MFY2024 and estimated revenues for FY2024 is Rs. 100 Cr. The current order book stands moderate at Rs. 74.94 crore, which is 1.13 times the operating income of FY2023, providing near-term revenue visibility. Acuite believes that Sribal Construction Company will continue to benefit from extensive experience in this industry alongwith longstanding relationship with reputed clients.

### Moderate financial risk profile

The financial risk profile of the firm continues to remain moderate marked by moderate net worth, moderate gearing and comfortable debt protection metrics. The tangible net worth of the firm increased to Rs. 7.36 crore as on March 31, 2023 from Rs. 4.80 crore in March 31, 2022. The total debt of the firm stood at Rs. 5.57 as on March 31, 2023 as against Rs. 3.02 crore in March 31, 2022. The capital structure of the entity remains comfortable with the gearing of 0.76 times in FY23. The debt protection metrics despite the deterioration stood healthy as reflected by debt service coverage ratio and interest service coverage ratio declined by 8.17 times in FY23 compared to 13.69 times in FY22.

## Weaknesses

### Extensive competition with regulatory risk

The construction industry is fairly fragmented industry with a presence of few large pan India players. The entity undertakes the projects for the private players and focuses more on the food and the pharma industry. Some of the reputed clients of Sribal Construction Company include – Coca Cola, Cipla, United Breweries etc. that helps the company to maintain healthy profitability margins. Further, it is a regulated industry with a price fluctuation risk of input prices such as cement, bitumen, steel, etc.

### Capital withdrawal risk associated with proprietorship firm

Being a proprietorship firm, SCC is exposed to the capital withdrawal risk. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

## Rating Sensitivities

- Sustainable improvement in revenue while maintaining profitability
- Elongation of working capital cycle
- Significant withdrawals of capital

## Liquidity Position Adequate

The liquidity position of the firm remains adequate. The firm generated net cash accruals of Rs. 5.26 crore in FY 23 against a repayment obligation of Rs.0.06-0.07 Cr. Besides, the company had a free cash and bank balance of Rs. 3.40 crore as on March 31, 2023. The current ratio stood at 1.56 times in FY23 as against 1.29 times in FY22. Besides, the company has a buffer in

the working capital limits (average utilisation of ~43% during last 10 months ended on March 2024) supporting the liquidity position.

### **Outlook: Stable**

Acuité 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	66.05	50.27
PAT	Rs. Cr.	4.70	3.07
PAT Margin	(%)	7.11	6.11
Total Debt/Tangible Net Worth	Times	0.76	0.63
PBDIT/Interest	Times	8.17	13.69

### 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
25 Jan 2023	Cash Credit	Long Term	0.90	ACUITE BB   Stable (Assigned)
	Proposed Cash Credit	Long Term	4.00	ACUITE BB   Stable (Assigned)
	Proposed Term Loan	Long Term	1.10	ACUITE BB   Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	6.00	ACUITE A4+ (Assigned)
	Proposed Bank Guarantee	Short Term	2.00	ACUITE A4+ (Assigned)

## 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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE A4+   Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.90	ACUITE BB+   Stable   Upgraded ( from ACUITE BB )
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A4+   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BB+   Stable   Upgraded ( from ACUITE BB )
Not Applicable	Not avl. / Not appl.	Proposed Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.10	ACUITE BB+   Stable   Upgraded ( from ACUITE BB )

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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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