



Press Release
SRIBAL CONSTRUCTION COMPANY
February 07, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.00	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	5.00	-	ACUITE A4+ Assigned
Bank Loan Ratings	7.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	19.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Acuite also assigned short-term rating to ‘**ACUITE A4+**’ (read as **ACUITE A four plus**) on Rs.5.00 Cr. bank facilities of Sribal Construction Company (SCC).

Rationale for rating

The rating reaffirmation continues to factor in the modest scale of operations and moderate order book position. The rating further draws comfort from the experienced management and comfortable working capital management. However, the ratings are constrained due to average financial risk profile, susceptibility of profitability to volatility in input prices and stiff competition. Further, the ratings remains susceptible to the risk of capital withdrawals, given the proprietorship constitution of the firm.

About the Company

Established in 2007, Sribal Construction Company (SCC) is a Bangalore based, proprietorship concern promoted by Mr. R Sakthivel. The firm is engaged in civil construction and structural fabrication.

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, SCC 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. Acuite believes that the firm will continue to benefit from the extensive experience of the promoters in the medium to long term.

Modest scale of operations backed by moderate order book

The operations of the firm remained modest despite a healthy growth in the operating income to Rs. 101.43 crore in FY24 as compared to Rs. 66.05 crore in FY23. In 8MFY25, the company has reported revenues of Rs. 72.35 Cr. and expects to report revenues of ~Rs. 115 crore in FY25. The operating profit margin of the company stood at 9.04 per cent in FY24 as compared to 8.95 per cent in FY23. In line with an increase in the operating margin, the PAT margins of the company stood at 7.78 per cent in FY24 as compared to 7.11 per cent in FY23. The unexecuted order book position of the company stood at Rs. 90.27 Crore as on Nov 2024, which provides revenue visibility for the near to medium term. Acuite believes that SCC will continue to report steady improvement in revenues on the back of moderate order book position.

Comfortable working capital management

The working capital management of the firm remained comfortable marked by GCA of 91 days and 86 days during FY24 and FY23 respectively. The inventory days stood stable at 12 days in FY24 and 20 days in FY23. Further, the debtor days stood at around 37 days in FY24 against 39 days in FY23. The creditor days of the firm stood at 63 days for FY24 compared to 69 days for FY23. The company has utilised working capital limits also moderately, supporting the liquidity position with average utilization of ~ 62 per cent during the 06 months ending December 24. Acuite believes that working capital operations likely to remain moderate considering the comfortable overall working capital cycle.

Weaknesses

Average financial risk profile

The financial risk profile of the firm remained average marked by moderate net worth, gearing and comfortable debt protection metrics. The tangible net worth of the firm remained low at Rs. 12.69 crore as on March 31, 2024 as compared to Rs. 7.36 crore as on March 31, 2023. The total debt of the firm stood at Rs. 6.15 crore as on March 31, 2024 as against Rs. 5.57 crore as on March 31, 2023. The capital structure of the entity remains comfortable with the gearing of 0.48 times as on March 31, 2024 as against 0.76 times as on March 31, 2024. The TOL/TNW stood at 1.45 times in FY24 as against 1.81 times in FY23. The debt protection metrics stood healthy as reflected in debt service coverage ratio and interest service coverage ratio at 11.71 times and 12.85 times in FY24 respectively compared to 8.17 times in FY23.

Susceptibility of profitability to volatility in input prices and stiff competition

The construction industry is 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, the industry is having stiff competition with many players which is likely to put pressure on the profitability along with 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 capital will have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

- Sustainable improvement in revenue and profitability
- Elongation of working capital cycle
- Significant withdrawals of capital leads to deterioration in financial risk profile

Liquidity Position

Adequate

The liquidity position of the firm remains adequate. The firm generated net cash accruals of Rs. 8.53 crore in FY24 against a repayment obligation of Rs.0.07 Cr. The firm had a cash balance of Rs. 10.21 crore as on March 31, 2024. The current ratio stood at 1.64 times in FY24 as against 1.55 times in FY23. Besides, the company has a buffer in the working capital limits supporting the liquidity position with average utilization of ~62 per cent during the 06 months ending December 24.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	101.43	66.05
PAT	Rs. Cr.	7.89	4.70
PAT Margin	(%)	7.78	7.11
Total Debt/Tangible Net Worth	Times	0.48	0.76
PBDIT/Interest	Times	12.85	8.17

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, 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Apr 2024	Bank Guarantee (BLR)	Short Term	6.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	0.90	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Proposed Cash Credit	Long Term	4.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Proposed Term Loan	Long Term	1.10	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
25 Jan 2023	Bank Guarantee (BLR)	Short Term	6.00	ACUITE A4+ (Assigned)
	Proposed Bank Guarantee	Short Term	2.00	ACUITE A4+ (Assigned)
	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.00	Simple	ACUITE A4+ Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A4+ Assigned
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.90	Simple	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.10	Simple	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

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