



**Press Release**  
**SCS CONSTRUCTIONS INDIA PRIVATE LIMITED**  
**January 05, 2024**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.50	ACUITE BB+   Stable   Assigned	-
Bank Loan Ratings	37.50	-	ACUITE A4+   Assigned
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

**Rating Rationale**

Acuite has assigned the long-term rating to '**ACUITE BB+**' (read as **ACUITE Double B Plus**) and the short-term rating to '**ACUITE A4+**' (read as **ACUITE A Four Plus**) on the Rs. 50.00 crore bank facilities of SCS CONSTRUCTION INDIA PRIVATE LIMITED (SCIPL). The outlook is '**Stable**'.

**Rationale for the Rating**

The rating assigned takes into account the improving operating income, stable profitability margins and moderate financial risk profile of the company. The operating income stood at Rs.62.86 Cr in FY2023 as against Rs.47.82 Cr in FY2022. The operating margin stood at 10.33 percent and net profit margin at 5.23 percent in FY2023. The financial performance of the company is moderate with gearing ratio of 0.79 times as on March 31, 2023. The rating also considers the moderate order book position with unexecuted order in hand to the tune of Rs.333.51 Cr as on November 30, 2023. The rating also factors the experience of the promoter along with established track record of operations supported by reputed clientele base and adequate liquidity position.

However, these strengths are partially offset working capital intensive nature of the operations and competitive and fragmented nature of industry coupled with tender based business.

**About the Company**

Incorporated in 2016, SCS Constructions India Private Limited (SCIPL) is primarily engaged in the construction of roads, bridges and irrigation projects in Odisha. It is registered as a Super Class Contractor with the government of Odisha and its registered office is in Bhubaneswar. The company also operates a fuel station near Puri in Odisha. The major clients of the company are Irrigation, Rural Works, R & B, IDCO and Odisha Bridge & Construction Corporation Limited (OBCC) of Odisha State Government and NH Division, BBSR & Mahanadi Coal Fields of Central Government. The present directors are Mr. Suresh Sahoo Chandra and Ms. Smruti Smaranika Sahoo

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profiles of SCS CONSTRUCTION INDIA PRIVATE LIMITED (SCIPL) to arrive at the rating.

## Key Rating Drivers

## **Strengths**

### **Experienced Management supported by established track record of operations**

The company is promoted by Mr. Suresh Chandra Sahoo, who has been involved in the civil construction business through a proprietorship concern since more than two decades. Long experience of SCS Construction India Private Limited's promoters and its established track record of operations strengthen the operational risk profile of the company. Furthermore, the company undertakes work contracts mainly for the various departments of Government of Odisha and few reputed private players which reduces the counter party risk to a large extent.

Acuité derives comfort from the vast experience of the management and believes this will benefit the company going forward, resulting in steady growth in the scale of operations.

### **Sound business risk profile supported by moderate order book position**

The operating revenue of the company improved to Rs.62.86 Cr in FY2023 as against Rs.47.82 Cr in FY2022. The steadiness in the operating income is backed by healthy order book position with unexecuted order in hand to the tune of Rs.333.51 Cr as on November 30, 2023, which shall be executed in next 1-2 year thereby providing moderate revenue visibility in the near to medium term. The operating margin improved to 10.33 per cent in FY2023 as against 9.02 per cent in the previous year due to better project mix and availability of adequate price escalation clause with the counter party. The PAT margin stood at 5.23 per cent in FY2023 as against 5.92 per cent in the previous year.

Acuité believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term.

### **Moderate Financial Risk Profile**

SCIPL financial risk profile is moderate marked by moderate albeit improving net worth, moderate gearing and above -average debt protection metrics. The tangible networth of the SCIPL improved to Rs.18.83 Cr as on March 31, 2023 from Rs.15.55 Cr as on March 31, 2022 due to accretion of reserves. Gearing of the company stood moderate at 0.79 times as on March 31, 2023 as against 1.01 times as on March 31, 2022. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.33 times as on March 31, 2023 as against 1.62 times as on March 31, 2022. The above-average debt protection metrics of the SCIPL is marked by Interest Coverage Ratio (ICR) which stood at 3.49 times as on March 31, 2023 and Debt Service Coverage Ratio (DSCR) at 1.95 times as on March 31, 2023. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.26 times as on March 31, 2023.

Acuité believes that going forward the financial risk profile of the SCIPL will be sustained backed by improving accruals and no major debt funded capex plans.

## **Weaknesses**

### **Working Capital Intensive Nature of operations**

The working capital intensive nature of operation of the company is marked by Gross Current Assets (GCA) days of 99 days in FY2023 as compared to 181 days in FY2022. The high GCA days is mainly on account of significant security deposits, margin money and retentions kept with the tendering authorities. The Inventory period stood at 6 days as on March 31, 2023 as compared to 8 days as on March 31, 2022. However, the debtor period stood at 59 days as on March 31, 2023 as compared to 103 days as on March 31, 2022. The debtor consists of a significant portion of retention money. The average fund based bank limit utilization stood at 72.71 percent and Non fund based limits stood at 76.47 percent for six months ended November, 2023.

Acuité believes that the working capital requirement is likely to remain at similar levels in the near to medium term.

### **Competitive and fragmented nature of industry coupled with tender based business**

The company is engaged as a civil contractor and the sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the company must make bid for such tenders on competitive prices, which may affect the profitability of the company. However, this risk is

mitigated to an extent due to the extensive experience of the management of over two decades in the construction industry.

### **Rating Sensitivities**

- Scaling up of operations while maintaining their profitability margin.
- Timely execution of orders.
- Sustenance of existing financial risk profile with healthy capital structure.

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### **Liquidity Position: Adequate**

The company's liquidity is adequate marked by net cash accruals of Rs. 3.92 Cr for FY2023 against nominal debt obligation of Rs 1.01 Cr over the same period. The cash accruals of the company are estimated to be in the range of around 5.48 Cr to 6.51 Cr during 2024-25 as against Rs. 1.31 Cr of long term debt obligations in FY2024 and Rs. 1.02 Cr in FY2024 respectively. The cash and bank balances stood at Rs.0.09 Cr as on March 31, 2023. The fund based utilization stood at 72.71 percent for six months ended November, 2023. Further, the current ratio stood at 1.55 times as on March 31, 2023 vis-à-vis 1.86 times as on March 31, 2022. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

### **Outlook: Stable**

Acuité believes the company's outlook will remain 'stable' over the medium term on account of its experienced management, moderate business risk profile and financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while sustaining its operating margins. Conversely, the outlook may be revised to 'Negative' in case of further decline in revenues or stretch in working capital cycle leading to deterioration in the liquidity position of the company.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	62.86	47.82
PAT	Rs. Cr.	3.29	2.83
PAT Margin	(%)	5.23	5.92
Total Debt/Tangible Net Worth	Times	0.79	1.01
PBDIT/Interest	Times	3.49	3.73

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

India Ratings vide its press release dated September 29th, 2023, reaffirmed the rating of SCS Constructions India Private Limited to IND BB | IND A4+ as "ISSUER NOT CO-OPERATING" on account of lack of adequate information required for monitoring of ratings.

INFOMERICS Ratings vide its press release dated May 08th, 2023, downgraded the rating of SCS Constructions India Private Limited to IVR BB | Negative | IVR A4 as "ISSUER NOT CO-OPERATING" on account of lack of adequate information required for monitoring of ratings.

### 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 :

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
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A4+   Assigned
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BB+   Stable   Assigned
Indian Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.87	ACUITE BB+   Stable   Assigned
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	1.70	ACUITE A4+   Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BB+   Stable   Assigned
Indian Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	0.80	ACUITE A4+   Assigned
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.63	ACUITE BB+   Stable   Assigned

## 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>  Thejaswini P V Senior Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:thejaswini.pv@acuite.in">thejaswini.pv@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@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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