



Press Release
SIDDHARAJ PROJECTS PRIVATE LIMITED
February 19, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE B+ Stable Assigned	-
Bank Loan Ratings	5.00	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	20.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE B+**' (read as ACUITE B plus) and short term rating of '**ACUITE A4**' (read as ACUITE A four) on the Rs. 20.00 Cr. bank facilities of Siddharaj Projects Private Limited (SPPL). The outlook is '**Stable**'.

Rationale for rating

The rating assigned reflects the established track record and industry experience of the promoters of the company in the civil construction works. However, this strength is partially offset by the below average financial risk profile marked by high gearing levels. Further, it also factors in the intensive working capital cycle of company with high GCA days of 613 days in FY23. The rating is also constrained by the stretched liquidity position of the company as reflected by high utilizations in its the short-term bank financing.

About the Company

Gujarat Based, Siddharaj Projects Private Limited was incorporated in 2009. The company is engaged in the business of construction and repairing works of canals, roads etc. It is promoted by Mr. Gambhirsinh Balujibhai Barad, Mrs. Shivani Siddhraisinh Barad, Mrs. Vaishaliba Prashantsinh Barad and Mr. Krishna Anirudhhasinh Barad.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Siddharaj Projects Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Established track record

The company was incorporated in 2009 and the promoters have a good experience in the civil construction industry. The company has recorded an operating income of Rs.12.37 crores in FY2023 as against Rs.1.24 crores in FY2022. The revenue of the company has increased by 184.78 percent but still are modest. The company majorly is into sub-contracting. Further, the company has a healthy order book position of Rs.187.18 crores as on October 2023 which provides a revenue visibility over the medium term. The operating margins have declined

marginally to 16.76 percent in FY2023 as against 26.36 percent in FY2022, margins varies with the different projects execution.

Acuite believes that the company shall have a moderate business risk profile in the medium term on account of healthy order book position providing revenue visibility.

Weaknesses

Below Average Financial Risk Profile

The financial risk profile of the company stood below average marked by average net worth, high gearing and below average debt protection metrics. The tangible net worth stood at Rs.3.43 crore as on FY2023 as against Rs.2.08 crore as on FY2022, increase in net worth is majorly due to accretion of profits to the reserves. The gearing (debt-equity) stood high at 4.17 times as on 31st March, 2023 as compared to 2.89 times as on 31st March, 2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 5.51 times as on 31st March, 2023 as against 3.55 times as on 31st March, 2022. The debt protection metrics of Interest Coverage Ratio stood at 1.26 times for FY2023 as against 2.75 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.26 times in FY2023 as against 2.75 times in FY2022.

Acuite believes that the financial risk profile may improve in medium term with steady cash accrual and no debt funded capex plan.

Working Capital Intensive Operations

The working capital management of the company is intensive marked by GCA days of 613 days in FY23 as against 2463 days in FY 2022. The debtor days stood at 339 days in FY2023. However, the inventory days stood at 165 days for FY2023. The creditors days stood at 260 days in FY2023. The company's reliance on working capital borrowings is on a higher side marked by average utilization of working capital limits of 97 percent during the last ten months period ended November 2023.

Acuite believes that working capital operations of the company may continue to remain intensive considering the nature of operations.

Rating Sensitivities

- Significant improvement in scale of operations while maintaining profitability.
- Further elongations in the working capital operations leading to further stretch in liquidity position.

Liquidity Position Stretched

The company's liquidity position is stretched marked by the high reliance on short term bank borrowings with an average utilization of 97 percent for last 10 months ended November 2023. The current ratio stands at 0.87 times in FY 2023. Further, the working capital management of the company is intensive marked by GCA days of 613 days in FY2023.

Outlook: Stable

Acuite believes the outlook on SPPL will remain 'Stable' over the medium term backed by long track record of operations and experienced management. The outlook may be revised to 'Positive' if the company is able to significantly improve the scale of operations, while also improving its working capital operations efficiently and being less reliance on short term debt. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile of the company by not able to scale up the business and further deterioration in working capital management and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	12.37	1.24
PAT	Rs. Cr.	0.30	0.09
PAT Margin	(%)	2.42	7.64
Total Debt/Tangible Net Worth	Times	4.17	2.89
PBDIT/Interest	Times	1.26	2.75

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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

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
UCO Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A4 Assigned
UCO Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE B+ Stable Assigned

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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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