



Press Release
SUKSHETRA INFRA PROJECTS PRIVATE LIMITED
May 10, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	8.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	48.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four Plus**) to the Rs.48 Cr. bank facilities of Sukshetra Infra Projects Private limited. The Outlook is '**Stable**'.

Rationale for rating assigned

Rating assigned takes into account the experience of the promoters in execution of residential projects for more than one decade, and company's experience in execution of civil contracting works since 2017. Further, the rating takes comfort from SIPPL's healthy order book position of Rs.1588 Cr. as of February 2024, which is almost 16x of its FY23 turnover. The revenue in FY2023 stood at Rs.94.99 Cr, which is further estimated to improve to ~Rs.203.73 Cr. in FY2024. Furthermore, the rating considers SIPPL's moderate financial risk profile backed by moderate network, leverage ratios and debt coverage indicators. Further, the company plans for diversification into direct execution of government contracts over the near term, which would aid the company to improve its profitability margins.

However, the rating is constrained by working capital intensive nature of operations, and volatility in raw material prices and tender based nature of operations impacting profitability in government projects.

About the Company

Incorporated in 2010, Sukshetra Infra Projects Private Limited is based in Visakhapatnam, Andhra Pradesh. The company is engaged in designing, construction and maintenance of roads, bridges, canals, dams etc. Currently the company is managed by Mr. Padmasri Gannamani, Mr. Brahmaji Gadde and Mr. Bala Subrahmanyam Vallabhaneni.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SIPPL for arriving at the rating.

Key Rating Drivers

Strengths

Experienced promoters and established track record of operations

SIPPL was incorporated by Mr. Brahmaji Gadde, Mrs. Padmasri Gannamani in the year 2010. Mr. Bala Subrahmanyam has joined as a director from October 2023 onwards. Promoters of the company have more than a decade experience in the civil construction industry. The extensive experience of the promoters has helped the company establish long term relationships with its customers and suppliers. SIPPL's management is supported by a team of professionals with adequate experience in executing civil contract works. In its initial years of operations SIPPL was solely engaged in the execution of residential projects for various private real estate developers in Vizag city. In 2017 SIPPL entered into execution of government projects. Currently, the company is engaged in both residential construction projects and government civil contracts. Government projects received by the company are mostly on sub-contracting basis from companies like NJR Constructions and Raghava constructions. Currently, SIPPL is dependent on sub contracts works in order to gain eligibility for direct bidding of government projects. Government related projects of the company are mostly concentrated in Andhra Pradesh state and residential projects of the company are concentrated in Hyderabad city. Acuite believes that SIPPL will continue to benefit from its experienced partners and its long track record of operations over the medium term.

Healthy Order book

SIPPL has healthy unexecuted order book position of Rs.1588 Cr. as on Feb'2024. The outstanding order book is around 16x of FY2023 turnover which stood at Rs.94.99 Cr. Order book mainly increased on account of new orders received in 2023 from Vision Developers (India) Pvt Ltd, Radhey Constructions India Pvt Ltd and RS Pasuraa Tellapur Builders LLP. Major portion of the orders consists of contracts relating to development of residential projects in Hyderabad and minor portion of around Rs.128 Cr is related to sub contracting works for government projects. Overall, the company has a healthy order book indicating adequate revenue visibility over the medium term. Acuite believes that scale of operations of the company will improve backed by healthy order book in the medium term.

Weaknesses

Moderate financial risk profile

The financial risk profile of the company is moderate marked by moderate network, leverage ratio and debt protection metrics. The company's network stood at Rs.33.62 Cr. as on March 31st 2023 as against Rs.28.79 Cr. as on March 31st 2022 and Rs.25.17 Cr. as on March 31st 2021. The improvement in network is attributable to accretion of profits to the reserves. The total debt of Rs.63.81 Cr. as on March 31st 2023 consists of long term debt of Rs.9.56 Cr, short term working capital debt of Rs.39.85 Cr, unsecured loan from promoters of Rs.11.81 Cr. and CPLTD (current portion of long term debt) of Rs.2.60 Cr. as on March 31st 2023. Leverage ratio of the company stood at 1.92 times as on March 31st 2023 as against 2.12 times as on March 31st 2022 and 1.98 times as on March 31st 2021. The total outside liabilities to tangible net worth stood at 2.96 times as on March 31st 2023 as against 3.97 times as on March 31st 2022 and 5.35 times as on March 31st 2021. Further, debt protection metrics stood above average with interest coverage ratio and debt service coverage ratios at 2.06 times and 1.82 times respectively as on March 31st 2023 as against 2.15 times and 2.00 times respectively as on March 31st 2022 and 3.25 and 2.97 times as on March 31st 2021. Acuite believes that financial risk profile of the firm is likely to remain above average over medium term in absence of any debt funded capex.

Working Capital intensive nature of operations

The working capital operations of the company are intensive as reflected by its high Gross current asset(GCA) days of 406 days in FY2023 as against 542 days in FY22 and 558 days in FY21. GCA days are majorly dominated by inventory days and debtor days. Inventory days of the company stood at 301 days in FY23 as against 451 days in FY22 and 429 days in FY21. The debtor days of the company stood at 113 days in FY23 as against 105 days in FY22 and 42

days in FY21. In order to support the working capital requirements, the company derives support from stretching its creditor days. The creditor days stood at 110 days in FY23 as against 72 days in FY22 and 280 days in FY21. Further, the average working capital utilisation stood high at 92.62 percent in past 9 months ending December 2023. Acuite believes that working capital operations of the company will continue to remain intensive over the near to medium term due to high realization cycle and nature of operations of the company.

Volatility in raw material prices and tender based nature of operations impacting profitability

Most projects undertaken by the company has a gestation period of 12-36 months, and during this time period, profitability remains susceptible to fluctuations in the input prices. However, majority of orders in hand have a built-in inflation index-linked price escalation clause, depending upon the extent of coverage of the actual increase in input prices, which mitigates the risk to an extent. SIPPL operates in residential and government projects segments which are highly competitive with presence of large number of small, regional and large players. Since, most of its government projects are sub- contracts and face intense competition, which restricts the operating profit margin to a moderate level. Further, civil construction industry is highly fragmented and intensely competitive, with several players executing small projects. Revenue growth thus remains susceptible to the level of investments being made in the civil construction segment and the extent of competition. Acuite believes that the ability of the company to grow its scale of operations on the back of an healthy order book position while maintain its profitability would remain key rating sensitivity factor over the medium term.

Rating Sensitivities

- Further elongation in working capital cycle leading to stretch in liquidity position.
- Any geopolitical disturbances impacting the ongoing projects or order book of the company
- Significant improvement in revenue while maintaining profitability

Liquidity Position: Adequate

SIPPL's liquidity is adequate marked by sufficient cash accruals generation to its debt repayment obligations. It reported cash accruals of Rs.6.97 Cr in FY2023, against nominal debt repayment of Rs.0.87 Cr. Going ahead, its accruals are expected to be in the range of Rs 16 to Rs.19 Cr. in FY2024-25 against its repayment obligations of Rs.2.60-2.75 Cr. during the same period. The current ratio of the company stood at 1.33 times and cash and bank balances stood at Rs.0.13 Cr. as on March 31, 2023. Company's working capital operations are intensive in nature with GCA days of 406 days in FY2023 leading to high reliance on working capital limits. Average bank limit utilization stood at 92 percent over the last 9 months ending December 2023. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accrual and no major debt capex plans over the medium term.

Outlook: Stable

Acuite believes that the outlook of SIPPL will remain 'Stable' over the medium term on account of the promotor's extensive experience, established presence in the infrastructure industry and healthy order book position. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability while effectively managing its working capital cycle. The outlook may be revised to 'Negative' in case of significantly lower than expected net cash accruals or elongation of the working capital cycle; thereby resulting in deterioration in the financial risk profile or liquidity position of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	94.99	81.45
PAT	Rs. Cr.	4.53	3.23
PAT Margin	(%)	4.77	3.97
Total Debt/Tangible Net Worth	Times	1.92	2.12
PBDIT/Interest	Times	2.06	2.15

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

BWR vide its press release 6th July 2023, downgraded SIPPL to BWR B+ | Stable for long term and BWR A4 for short term as "Issuer not co operating" on account of lack of adequate information required for monitoring the rating.

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>
- 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
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE BB+ Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE A4+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BB+ 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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