



Press Release

S.K.R. CONSTRUCTIONS INDIA PRIVATE LIMITED

(Erstwhile known as SKR Constructions)

April 29th, 2024

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	10.00	IVR BBB- (Stable) [IVR Triple B minus with Stable Outlook]	IVR BBB- (Stable) [IVR Triple B minus with Stable Outlook]	Reaffirmed	Simple
2.	Long Term Bank Facilities	4.00	IVR BBB- (Stable) [IVR Triple B minus with Stable Outlook]	-	Assigned	Simple
3.	Short Term Bank Facilities	32.00	IVR A3 (IVR A three)	IVR A3 (IVR A three)	Reaffirmed	Simple
4.	Short Term Bank Facilities	6.00	IVR A3 (IVR A three)	-	Assigned	Simple
	Total	52.00	(Rupees fifty-two crore only)			

Details of facilities are in Annexure 1

Rating Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long-term ratings with stable outlook and reaffirmed the short-term ratings for the bank facilities of S.K.R. Constructions India private limited (erstwhile known as SKR Constructions). IVR has also assigned IVR triple B minus with stable outlook for long term and IVR A three rating for short term enhanced bank facilities of S.K.R. Constructions India private limited.



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The rating continues to draw comfort from extensive experience of the promoters in the industry with moderate financial risk profile and strong debt coverage indicators. Further the ratings continue to take into consideration healthy order book position and client profile. The ratings however remain constrained by the competitive nature of the industry and geographical concentration risk along with client concentration risk.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes that S.K.R. Constructions India private limited will continue to benefit from its operational track record in the business, its reputed clientele and inflow of orders as per the current order book position.

IVR has principally relied on the standalone audited financial results of S.K.R. Constructions India private limited up to 31 March 2023 and projected financials for FY2024, FY2025 and FY2026, and publicly available information/ clarifications provided by the firm's management.

Key Rating Sensitivities:

Upward Rating Factor:

- Sustained increase in total operating income along with healthy order book position.
- Maintaining the debt protection metrics with increase in working capital requirements

Downward Rating Factor:

- Decline in operating income/ or profitability levels thereby impacting firm's debt coverage indicators.
- Delay in execution resulting in time or cost overrun and slower revenue realization.

Detailed Description of Key Rating Drivers

Key Rating Strengths: -



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Experienced management and long-standing relationships with the clients

SKR Constructions converted into private limited and changed its name from SKR Constructions to SKR Constructions India private Limited as on June 26th, 2023. SKR Constructions India Private limited is registered as a contractor for executing road, irrigation and building works in the state of Telangana. The Company is promoted by Mr. Sankineni Krishna Rao, who has more than 38 years of experience in the civil construction business.

Healthy order book and client profile

SKR Constructions India Private Limited has a healthy order book with current order-book comprising worth (current value of projects remaining) 348.08 Cr. from various Government departments of Telangana which is 2.12 times of its total operating income for FY23. The O/s order book is to be completed within 3 to 18 Months. As per the order book, majority of the clients are various PWDs and state government entities of Telangana.

Moderate financial risk with strong debt coverage indicators

SKR Constructions India Private limited achieved total operating income of Rs. 163.66 Crore in FY23, driven by delay in execution of orders due to land acquisition issue and heavy rain fall in Telangana region. Further, TOI achieved Rs. 212.93 crore in FY24 as against Rs. 163.15 crore in FY23. EBITDA in absolute terms stood at Rs. 13.17 Crore in FY23 as against Rs. 13.67 Crore in FY22. EBITDA Margin increased by 104 bps and stood at 8.05% in FY23 as against 7.00% in FY22, due to higher margins earned on executed projects. PAT in absolute terms stood at Rs. 6.19 Crore in FY23 as against Rs. 7.23 Crore in FY22. PAT Margin increased by 8 bps and stood at 3.77% in FY23 as against 3.69% in FY22, in line with EBITDA margin. Gross Cash Accruals (GCA) of the company stood at Rs. 8.35 Crore in FY23 (P.Y. Rs 9.54 Crore). The company has strong debt protection matrices with debt service coverage ratio (DSCR) is strongly comfortable at 3.70x in FY23.



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Key Rating Weaknesses

Competitive and fragmented nature of the industry

The Road Construction EPC industry is highly competitive with many small players that cater to the local demand. Modest scale of operations along with intense competition restricts the pricing flexibility of SKR Constructions. The modest scale of operations amid intense competition is expected to restrict SKR's pricing and bargaining power over the medium term.

Geographical concentration risk and client concentration risk

The majority of the orders are concentrated in and around the state of Telangana. Also, Unexecuted Value of order book is majorly from Telangana region only resulting in high geographical concentration risk. Further, the firm has generated entire revenue mainly from 4 clients in FY23 resulting in concentrated revenue profile.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning Rating outlook](#)

[Instrument/Facility wise Default Recognition & Post-Default Curing period](#)

Liquidity: Adequate

The liquidity position of the firm is expected to remain adequate on account of sufficient cushion in cash generation vis-à-vis debt repayment obligations in the next 3 years. The average utilisation of the firm's fund-based limit utilisation stood moderate at 73.05% and non-fund-based limit utilisation remained high at 93.48% respectively during the past 12



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months ended Mar'24. Unencumbered cash and bank balance is Rs. 3.46 Crore as on March 31, 2023. SKR Construction's India Private Limited Operating cycle of the company is increased and stood at 72 days in FY23 as against 42 days in FY22, due to increase in inventory period from 19 days in FY22 to 52 days in FY23. Current ratio of the company is comfortable at 2.36x, as on March 31,2023.

About the Company

SKR Constructions was established in Suryapet, Telangana, India, on December 26th, 2003, as SKR Constructions, under the Partnership Act. It Converted into a private limited company and changed its name from SKR Constructions to SKR Constructions India Private Limited on June 26th, 2023. SKR Constructions is engaged in providing various kinds of civil construction services, including Electrical Works, Plumbing Contractors, Civil Construction work, Roads, Highways, and Industrial Roads, Designing, Fabrication, and laying services. The company mainly operates in and around the state of Telangana.

Financials (Standalone): -

(In Rs. Crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	195.25	163.66
EBITDA	13.67	13.17
PAT	7.23	6.19
Total Debt	13.85	27.17
Tangible Net Worth	47.12	45.10
EBITDA Margin (%)	7.00	8.05
PAT Margin (%)	3.69	3.77
Overall Gearing Ratio (x)	0.29	0.60

*Classification as per Infomerics' standards



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Details of non-co-operation with any other CRA: ICRA vide its press release dated 17th February 2023, has continued to classify the ratings of the company under issuer not cooperating on account of non-submission of relevant information.

Any other information: Not Applicable

Rating History for last three years:

Name of the Facility / Instrument	Current Rating (Year: 2024-25)			Rating History for the past 3 years			
	Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2023 - 24	Date(s) & Rating(s) assigned in 2022 - 23 (March 01, 2023)	Date(s) & Rating(s) assigned in 2022-23 (September 16, 2022)	Date(s) & Rating(s) assigned in 2021-22 (July 12, 2021)
Fund based limits	Long Term	14.00	IVR BBB-/ Stable Outlook	-	IVR BBB-/ Stable Outlook	IVR BB+(INC)	IVR BBB-/ Stable Outlook
Non-Fund based Limits	Short term	38.00	IVR A3	-	IVR A3	IVR A4+ (INC)	IVR A3

**Issuer not cooperating; Based on best available information.*

Name and Contact Details of the Rating Analysts:

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt



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instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based – Cash Credit	-	-	-	14.00	IVR BBB-/ Stable
Non-fund based – BGs	-	-	-	38.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-skr-apr24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com .