



## Press Release

### SRC Company Infra Private Limited (SRC)

April 18, 2024

#### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Fund Based Bank Facilities – Cash Credit	13.00	IVR BBB/ Stable (IVR Triple B With Stable Outlook)	Assigned	Simple
Short Term Non- Fund Based Bank Facilities – Bank Guarantee	170.00	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>183.00</b> <b>(Rupees One-Hundred and Eighty-Three Crore)</b>			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities SRC Company Infra Private Limited factors in the experience of management in the civil contract work and established track record, improved operations and moderate profitability, comfortable capital structure and debt protection metrics and healthy order book position.

The ratings, however, are constrained by working capital intensive nature of operation, industry specific risks, moderate geographical and customer concentration risks and susceptibility to risks inherent in tender-based business.

#### Key Rating Sensitivities:

- **Upward Factors**
  - Substantial or sustained improvement in the scale of operations and/or EBITDA margin leading to an improvement in the debt protection metrics.



## Press Release

- Sustained increase in the order book position.
- Improvement in Gross working capital cycle
- **Downward Factors**
  - Deterioration in the scale of operations, a decline in order accretion and delay in realization of debtors, and a decline in EBITDA margins due to industry or company-specific factors, leading to a significant deterioration in the debt protection metrics and/or liquidity, all on a sustained basis.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Experienced management and established track record with reputed clientele:**

The promoters have more than three decades of experience in executing railway related projects and other civil works. The company benefits from the management's understanding of the dynamics of the industry and established relationships with customers. The clientele primarily includes railway board, Dalmia Cement, Ircon, etc, offering low counterparty risks. The company has proven capability in successful project execution. The company have completed around Rs.950 Crore of work during the last 3 years ended FY24.

##### **Improved scale of operations and modest profitability**

The total operating income in FY23 stood at INR.305.85 Crore as compared to INR.198.24 Crore in FY22. The total operating income of the company registered a growth of 54.28% in FY23. The company earned an EBITDA of 37.51 in FY23 against 22.13 in FY22. The company earned a PAT of 15.81 in FY23 against 10.21 in FY22. The company has registered an EBITDA margin of 12.26% in FY23 against 11.16% in FY22 and PAT margin of 5.17% in FY23 against 5.15 in FY22. In FY24 (Estimated) the company achieved a revenue of around Rs. 450 Crore.

##### **Comfortable capital structure and debt protection metrics**

SRC capital structure remained comfortable as on March 31, 2023, marked by overall gearing at 0.58x as on March 31,2023 against 0.66x as on March 31,2022. The total indebtedness of the company as reflected by TOL/TNW improved from 1.74x as on March 31, 2022, to 1.43x



## Press Release

as on March 31, 2023. The interest coverage ratio and DSCR have been adequate over the last three years and stood at 8.23x and 2.71x respectively in FY23(10.40x and 4.74x in FY22).

### **Healthy order book providing medium-term revenue visibility:**

The company undertakes works through tender. The company order book and revenue depend on the successful acquisition of tenders and the payment collection. The company has an unexecuted order book comprising orders worth ~Rs. 1187 Crore (3.89x of FY23 revenue) as of 30 November 2023 to be completed over the next three years providing medium-term revenue visibility.

### **B. Key Rating Weaknesses**

#### **Working capital Intensive nature of operations**

SRC's business is working capital intensive on account of high collection period, blockage of retention money due to long duration of construction projects, which gets released after respective defect liability period. Collection days being shown at 72 days as on March 31, 2023, as against 103 days as on March 31, 2022. This was due to high receivables beyond six months as on March 31 of the respective years. The Creditors Period stood at 64 days as on 31 March 2023, as against 87 days as on 31 March 2022. Inventory Period stood at 31 days as on 31 March 2023 as against 26 days as on 31 March 2022.

#### **Moderate geographical & moderate customer concentration:**

The company operations are moderately concentrated in the two states contribute around 50% in the last three years ended FY24 and faces moderate customer concentration (26-40%), majority of the tenders are from govt bodies/entities and private clients like Indian railway constructions international limited, Dalmia cements Ltd, etc.

#### **Industry specific risks:**

The company, like any other construction entity, is exposed to the risks inherent in the construction sector including a slowdown in new order inflows, risks of delays in execution, and vulnerability of margins to adverse variation in the raw material, labor, and other input costs. The profitability is exposed to volatility in raw material prices. However, the presence of price escalation clauses in majority contracts mitigate the risk to some extent.



## Press Release

### **Susceptibility to risks inherent in tender-based business:**

The company acquires the contract through tenders. The company's business growth depends on its ability to acquire tenders successfully. Revenue and profitability are expected to remain susceptible to risks inherent in tender-based operations.

**Analytical Approach:** Standalone

**Applicable Criteria:**

**Rating Methodology for Infrastructure Companies**

**Financial Ratios & Interpretation (Non-Financial Sector)**

**Criteria of assigning Rating Outlook**

**Complexity Level of Rated Instruments/Facilities**

**Policy on Default Recognition Criteria**

### **Liquidity: Adequate**

The company is earning moderate levels of Gross Cash Accrual (GCA) and the same is expected to increase with increased income levels and profitability. The liquidity position of the company was adequate with GCA of Rs. 23.99 Crore in FY23. The GCA in the range of Rs.35.00-40.00 crore in FY24 and FY26 are adequate to cover the debt obligation in the range of Rs.7.00-9.00 crore in FY24 and FY26. This indicates adequate degree of liquidity of the company in meeting its obligations. Company has current ratio of 1.32x as on 31 March 2023. Additionally, the company has cash and cash equivalents of Rs 11.30 Crore as on 31 March 2023. The consolidated working capital utilisation of the company stands at 58.50% for the past 12 months period ended March 2024. Operating cycle has remained comfortable 39 days in FY 23 compared to 42 days in FY 22. Further the company has availed the fresh working capital limits since December 23, the liquidity position is expected to remain adequate in the near term.

### **About the company**

SRC Company Infra Private Limited (SRC or The Company) is the Hyderabad Based infrastructure company engaged in Railway constructions such as Railway sidings, Bridges,



## Press Release

OHE & S&T on EPC & turnkey basis. The company is incorporated on 12 November 2013. Mr. A Venkata Krishna Prasad and Mr. A Veeranjanya Prasad are the directors of the company.

### Financials (Standalone):

INR in Crores

For the year ended* / As on	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	198.24	305.85
EBITDA	22.13	37.51
PAT	10.21	15.81
Total Debt	53.39	56.64
Tangible Net worth	81.24	97.05
EBIDTA Margin (%)	11.16	12.26
PAT Margin (%)	5.15	5.17
Overall Gearing ratio (X)	0.66	0.58

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA: Nil**

**Any other information: N.A.**

**Rating History for last 3 years:**

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Sanctioned (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	Long Term	13.00	IVR BBB/ Stable	-	-	-
4.	Bank Guarantee	Short Term	170.00	IVR A3	-	-	-



## Press Release

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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 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.

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## Press Release

### Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	13.00	IVR BBB/ Stable
Bank Guarantee	-	-	-	170.00	IVR A3

**Annexure 2: List of companies considered for consolidated analysis: NA.**

**Annexure 3: Facility wise lender details**

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

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

**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](http://www.infomerics.com).