



Press Release

S S Alur Construction Company (SSACC)

February 12, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	40.00	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	-	Assigned	Simple
Short Term Facilities	60.00	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	100.00 (One Hundred Crore only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned its rating assigned to the Bank facilities of S S Alur Construction Company (SSACC) based on strengths derived from long track record of operation and experienced promoter, comfortable orderbook position driving operational performance, comfortable capital structure. The rating is however constrained by the significant dependence on Q4FY25 to achieve the projected FY25 numbers, highly fragmented & competitive nature of construction sector with significant price war coupled with tender-based nature of business, susceptibility of operating margin to volatile input prices and weak corporate governance.

The stable outlook indicates that the firm is expected to derive benefits from the experience of the partner.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity.
- Sustenance of the capital structure with improvement in debt protection metrics.



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Downward Factors

- Dip in the revenue and/or profitability and/or an increase in the gross working capital cycle or concentration risk.
- Moderation in the capital structure with moderation in the overall gearing along with significant or sustained deterioration in debt protection parameters and /or liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operation and experienced promoter**

SSACC is promoted by Mr. Sharanappa S Alur and his family members. Mr. Sharanappa S Alur has an extensive experience of over 30 years in executing road construction and related works. SSACC has executed various road work projects in Karnataka. The firm's recent ventures include major infrastructural projects such as the Mudhol Bypass Road and the Greenfield Airport at Vijayapura. The firm has a strong customer profile with government entities, such as Karnataka Neervari Nigam Limited (KNNL), Krishna Bhagya Jala Nigam Limited (KBJNL), NHAI, Public Work Department (PWD) projects, State Highway Development Projects (SHDP) etc., which reduces its counterparty credit risk.

- **Comfortable order book position driving operational performance**

The total operating income of the company has improved at a CAGR of ~8% over the period of FY21-24. In FY24, the TOI stood at Rs. 177.24 crore as compared to Rs. 175.40 crore in FY23 with an EBITDA margin of 14.40% and PAT margin of 7.98% in FY24. This stable growth is on account of the timely execution of orders and the repeat orders. The firm has an unexecuted order book of Rs 332.85 crore as on December 31, 2024 which is 1.88x of the FY24 total operating income. This is expected to be executed and booked within 12-24 months providing medium term revenue visibility.

- **Comfortable capital structure**



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The long-term debt equity ratio marginally deteriorated to 0.50x in as on March 31, 2024 from 0.39x in March 31, 2023. The overall gearing ratio deteriorated to 0.93x as on March 31, 2024 from 0.49x as on March 31, 2023. This deterioration was due to the increased bank borrowings for working capital purposes. TOL/TNW stood at 1.29x as on March 31, 2024 as against 0.90x as on March 31, 2023. The DSCR of the company stood at 1.66x and the Interest coverage ratio stood at 3.42x in FY24.

Key Rating Weaknesses

- **Significant dependence on Q4FY25 to achieve the projected FY25 numbers**

The firm has booked Rs 103.01 crore till December 2024 as against Rs 121.82 crore in the same period in FY24, which reflects a negative variance of ~15%. This creates a significant dependency on the last quarter to achieve the projected numbers for FY 25. The agency notes that the firm has faced weather-related delays, specifically torrential rains, that have slightly impacted construction timelines and slowed progress on government projects. The due date of the projects has been extended by the State Government for some projects to address essential technical issues and obtain crucial clearances, ensuring its successful completion without any penalty clause which has resulted in booking of substantial revenue in the latter half of FY25.

- **Highly fragmented & competitive nature of the construction sector with significant price war coupled with tender-based nature of business**

The domestic infrastructure works sector is highly crowded with presence of many players with varied statures & capabilities which limits the pricing power of the companies. Largely tender based procurement mechanism also increases the competition to an extent especially amongst the entities which have a limited geographic distribution of projects. The firm's projects are majorly concentrated only in Karnataka, which makes it vulnerable to any change in policies of government regarding infrastructure development and political changes in this region.

- **Susceptibility of operating margin to volatile input prices**

Major raw materials used in civil construction activities are steel and cement which are usually sourced from suppliers at proximate distances. Historically, the cost of these raw materials and steel products have been volatile in nature and hence, profitability margins of the company are susceptible to fluctuation in raw material prices. Though the EBITDA



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margin improved to 14.40% in FY24 from 13.70% in FY22, still the firm is susceptible to the increasing raw material prices.

- **Weak Corporate Governance**

The entity maintains a partnership structure which exposes the business to the risk of capital withdrawal and dissolution of partnership upon the demise/ retirement/ insolvency of/among the partners

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

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

Liquidity –Adequate

The liquidity position of the firm remained adequate. The Net Cash Accruals (NCA) in FY24 stood at Rs. 18.53 crore as against a debt repayment obligation of Rs 10.03 crore in FY24 and Rs 8.19 crore in FY23. The NCA is expected to be in the range of Rs 21.00 crore to 33.00 crore as against the repayment obligations of Rs 6.00 crore to Rs.0.20 crore over FY25-27. The average working capital utilization stood at ~83% for the month ended November 2024. The current ratio stood at 1.94x in FY24. The cash and cash equivalents amounted to Rs 1.93 crore as on March 31, 2024.



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About the Firm

SS Alur Construction Company was started as a sole proprietorship in 1992 and was converted into a partnership firm in 2016. It undertakes EPC contracts for the construction of roads for government entities and has completed various projects such as the Mudhol Bypass Road and the Greenfield Airport at Vijayapura. Additionally, it has diversified into the production of stone aggregates and M-Sand, leveraging advanced technologies to ensure consistent material quality and sustainable practices.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	175.40	177.24
EBITDA	24.03	25.51
PAT	14.10	14.19
Total Debt	26.61	43.40
Tangible Net Worth	54.13	46.42
EBITDA Margin (%)	13.70	14.40
PAT Margin (%)	8.00	7.98
Overall Gearing Ratio (x)	0.49	0.93
Interest Coverage (x)	3.92	3.42

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022
					Date (Month XX, 20XX)	Date (Month XX, 20XX)	Date (Month XX, 20XX)
1.	Overdraft	Long Term	30.00	IVR BBB-/Stable	-	-	-
2	Cash Credit	Long Term	10.00	IVR BBB-/Stable	-	-	-
3	Bank Guarantee	Short Term	60.00	IVR A3	-	-	-



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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.

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: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Overdraft	-	-	-	-	30.00	IVR BBB-/Stable
Cash Credit	-	-	-	-	10.00	IVR BBB-/Stable
Bank Guarantee	-	-	-	-	60.00	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-SSAlur-feb25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: NA

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.