



Press Release

Sai Babuji Projects Private Limited

January 06, 2023

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	6.25	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)	Reaffirmed	Simple
Short-Term Bank Facilities	2.10	IVR A4 (IVR A Four)	Reaffirmed	Simple
Total	8.35 (Rs. Eight crore and Thirty Five lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Sai Babuji Projects Private Limited (SBPPL) considers the close operational and financial linkages between SBPPL and its group company, Balaji Industrial and Agricultural Castings Private Limited (BIAC). Infomerics takes combined view of these entities referred together as Sai Group. The reaffirmation of the ratings assigned to the bank facilities of SBPPL continues to derive comfort from combined entity's long standing track record under experienced promoters, proven project execution capability, reputed clientele, healthy order book giving visibility to revenue in the medium term and comfortable capital structure with satisfactory debt coverage indicators. However, these rating strengths remain partially offset by its small scale of operation, susceptibility of profitability to volatile input prices, presence in a highly competitive industry and tender driven nature of the business and working capital intensive nature of operation.

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 with improvement in interest coverage
- Increase in diversification in terms of sector and regional presence



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Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile
- Moderation in the capital structure with deterioration in overall gearing to more than 1.5x and/or moderation in debt protection metrics with moderation in interest coverage ratio to below 2x
- Increase in working capital intensity

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Long standing track record under experienced promoters**

Mr. Sreekanth Mallela is at the helm of affairs of the group having over two decades of experience in the similar line of business. Mr. Mallela played a vital role in strategic decision making for Sai Group of Companies. Further, being in civil construction works since 1978, Sai Group, has a considerable experience and a proven track record.

- **Proven project execution capability**

Sai Group has started its operation from 1978 through BIACPL and has successfully completed many projects in and around Telangana for various government and non-government departments. Thus, the group is enjoying a proven track record. Later, the promoters set up SBPPL in 2011 to initiate solar equipment business and water supply projects works separately in government tenders. Both the entities have successfully completed many projects in India and also outside of India.

- **Reputed clientele**

Sai group undertakes infrastructure projects for Various Government departments of India, African countries and non-government organisations like UNICEF, Texon Ltd.-Sri Lanka, Food and Agriculture Organization (FAO). White Nile Petroleum Company etc. All the projects are funded under Government departments, thus having minimal risk of defaults.

- **Healthy order book giving visibility to revenue in the medium term**

The Sai group on a combined basis has a strong order book position comprising multiple contracts aggregating to ~Rs.96 Crore as on September 30, 2022, (which is about 2.80 times



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of its FY22 combined revenue) to be executed within next 1-2 years, indicating a satisfactory near to medium term revenue visibility.

- **Comfortable capital structure with satisfactory debt coverage indicators**

The capital structure of the group has remained comfortable as on the past three account closing dates where overall gearing ratio was at 0.43x as on March 31, 2022, improved from 0.81x as on March 31, 2021 on the back of accretion of profit to reserve and repayment of term loan. Total indebtedness of the group also remained comfortable marked by TOL/TNW at 0.85x as on March 31, 2022. Further, underpinned by its conservative capital structure along with healthy profitability the debt protection metrics of the group also remained satisfactory over the past three fiscals. The interest coverage ratio remained comfortable at 2.98x and Total debt to EBITDA was moderate at 2.20 years as on March 31, 2022.

Key Rating Weaknesses:

- **Small scale of operation**

The scale of operation of the group remained small with its combined total operating income (TOI) at Rs.31.22 crore in FY22 despite its long track record of its operations in highly crowded infrastructure sector. This apart, combined total net worth was also low at Rs.22.38 crore as on March 31, 2022. Small scale of operations in a highly competitive industry restricts the financial flexibility of the group to an extent. This apart, TOI exhibited erratic movement since last three financial years where TOI increased by ~69% in FY21 over FY20 on the back of higher execution of orders, whereas the same has declined in FY22 by around ~3% with the lower execution of water supply works. During H1FY23, the group has already earned Rs.19.65 crore.

- **Susceptibility of profitability to volatile input prices**

Major raw materials used in construction activities are steel and cement which are usually sourced from large players at proximate distances. The input prices are generally volatile and consequently the profitability remains susceptible to fluctuation in input prices. However, presences of escalation clause in most of the contracts imparts comfort to an extent.



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- **Presence in a highly competitive industry and tender driven nature of the business**

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the ability to successfully bid for the tenders as entire business is tender based. Further, the domestic infrastructure/construction sector is highly fragmented with presence of many players with varied statures & capabilities.

- **Working capital intensive nature of operation**

Construction business, by its nature, is working capital intensive as a large part of working capital remained blocked in earnest money deposits, margin required for issuance of bank guarantees and retention money. Collection period of the group generally remains long on account of delays in collection of debtors, mainly Government departments. This apart, inventory period also remained high on account of pending work certification during end of financial year as maximum orders were executed during second half of the year.

Analytical Approach: Consolidated. For arriving at the ratings, INFOMERICS analytical team has combined the financials of Sai Babuji Projects Private Limited (SBPPL) and Balaji Industrial and Agricultural Castings Private Limited (BIACPL) as these entities have a common management team under the same promoter and have operational & financial linkages between the entities. The lists of Companies considered are given in **Annexure 2**.

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity: Adequate

The liquidity profile of Sai Group is expected to remain adequate marked by its expected satisfactory cash accrual of ~Rs.3.45 crore vis a- vis its low debt repayment obligations of ~Rs.0.82 crore in FY23. Further, the Sai group has no planned capex or availment of long-term debt which imparts comfort. However, the liquidity profile is restricted due to Sai Group's working capital-intensive nature of operations marked by its long operating cycle.



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About the company & the Group

Sai Babuji Projects Private Limited (SBPPL) was incorporated in August 2011 by Mr Mallela Sreekanth and Mrs. Bhuvaneshwari Mallela. The company executes manufacturing and trading of solar power equipment such as inverter, solar panels, solar water pumping system, high-density polyethylene pipes, power cables, and fasteners along with fabrication of solar panel. SBPPL provides services like monitoring, integration, security and solar site maintenance during their entire life cycle. It began commercial production from 2014. The company operates in Hyderabad, Tamil Nadu, Andhra Pradesh, Chhattisgarh, and Gujarat.

Balaji Industrial and Agricultural Castings Private Limited (BIACPL) is located at Hyderabad in India and started operation from 1978 as a partnership firm. The company is in various activities like implementation of water supply schemes, fabrication of solar products, construction and execution of community water supply projects and in civil works.

Presently, both the companies are under the common management with strong operational and financial fungibility. Mr. Sreekanth Mallela, who is a director of SBPPL, is also the managing director of BIACPL along with other common director and a group of experienced personnel.

Financials: Combined

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	32.13	31.22
EBITDA	4.38	4.33
PAT	1.67	1.82
Total Debt	16.71	9.54
Tangible Net worth including quasi equity	20.60	22.38
EBITDA Margin (%)	13.63	13.87
PAT Margin (%)	5.19	5.82
Overall Gearing Ratio (x)	0.81	0.43

**Classification as per Infomerics' standards*

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	15.35	9.34
EBITDA	1.44	1.12
PAT	0.55	0.35
Total Debt	6.08	3.64



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For the year ended* / As On	31-03-2021	31-03-2022
Tangible Net worth	7.76	8.11
EBITDA Margin (%)	9.38	12.00
PAT Margin (%)	3.57	3.79
Overall Gearing Ratio (x)	0.78	0.45

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: The rating continues under Issuer Not Cooperating category by CRISIL as per latest PR dated December 06, 2021, and Acuite also moved the rating to Issuer Not Cooperating category as per latest PR dated February 15, 2022 due to non-submission of information by the company.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Oct 11, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	ODBD	Long Term	4.90	IVR BB-/ Stable	IVR BB-/ Stable	-	-
2	COVID Sahayata	Long Term	0.38	IVR BB-/ Stable	IVR BB-/ Stable	-	-
3	CGECL	Long Term	0.97	IVR BB-/ Stable	IVR BB-/ Stable	-	-
4.	BG	Short-Term	2.10	IVR A4	IVR A4	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India



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registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

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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
ODBD	-	-	-	4.90	IVR BB-/ Stable
COVID Sahayata	-	-	June 2023	0.38	IVR BB-/ Stable
CGECL	-	-	June 2023	0.97	IVR BB-/ Stable
BG	-	-	-	2.10	IVR A4

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Nature of consolidation
Sai Babuji Projects Private Limited	Full consolidation



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Balaji Industrial and Agricultural Castings Private Limited	Full consolidation
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Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-SaiBabuji-jan23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/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.

