



Press Release

Sudharma Infratech Private Limited

June 01, 2022

Ratings:

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple / High / Complex)
Long term Bank Facilities Term loans	2.40 (Enhanced from Rs. 1.60 Cr.)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed. Outlook revised to Stable	Simple
Long term Bank Facilities Cash Credit	8.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed. Outlook revised to Stable	Simple
Short Term Bank Facilities Bank guarantee	25.00	IVR A3 (IVR Single A Three)	Reaffirmed	Simple
Total	35.40 (Rupees Thirty-five crore and forty lakhs)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating outlook has been revised from Negative to Stable on account of improved financial performance of FY22 (Provisional). The rating reaffirmations of the company takes into account Experienced promoters and long track record of operation, Reputed clientele base, Strong order book, Improvement in financial performance and Comfortable and improving capital structure and debt protection matrices. The rating is constrained by Customer concentration risk and Highly fragmented & competitive nature of the construction sector with significant price war coupled with tender-based nature of business.

Key Rating Sensitivities:

Upward Factors

- Increase in order book and timely execution of the same
- Significant improvement in profitability margins

Downward Factors

- Decline in profitability and elongation in operating cycle



Press Release

List of Key Rating Drivers with Detailed Description

Experienced promoters and long track record of operation

SIPL has established operational track record of more than a decade in construction of various civil infrastructure, roads and bridges. Mr. R.V. Sudhakar (Managing Director), is a first- generation entrepreneur having three decades of experience in the construction sector. The extensive experience of the promoter and successful track record of operation has helped the company in acquiring customers. The directors are well supported by a team of experienced and qualified professionals.

Reputed clientele base

The company has a strong client base catering to Government as well as Private clients and has generated repeat orders from them. Further there is new addition to the customer base which in turn increases its scale of operation. At present, the company has orders from Ministry of Road Transport & Highways, NHAI, Trichy Tollway Private Limited and Ashoka Buildcon Limited amongst many others.

Strong order book

The company has a good track record of successfully executing various roads and highway projects and has a good order book based on its past execution capabilities and timely deliveries. Over the past years, the company has successfully completed many projects across Andhra Pradesh and Telangana. The company has completed many major as well as minor projects and has orders in hand of around Rs. 623 Cr. and an unexecuted order book of around Rs. 221 Cr as at March 2022.

Improvement in financial performance

The total operating income has improved at the CAGR of 44% from FY18 to FY22 Prov. The TOI for FY22 Prov. stood at Rs. 89.66 Cr. as against Rs. 87.26 Cr. in FY21. The EBITDA margin improved from 12.48% to 13.11% in FY22 Prov. The PAT margin improved from 3.19% in previous year to 5.19% in FY22 Prov. because of lower finance cost and proportionately lower depreciation.



Press Release

Comfortable and improving capital structure and debt protection matrices

The capital structure of the company has been improving overtime with an an overall gearing of 0.40x (Previous Year: 0.64x) and long-term debt equity ratio of 0.19x (Previous Year: 0.41x) as on March 31, 2022, Prov. The total debt to gross cash accruals stood comfortable at 2.19x at the end of FY22 Prov. as compared to that of 3.31x at the end of FY21.

Key Rating Weaknesses

Customer concentration risk

The present order book mainly consists of rehabilitation, up-gradation and repair of road construction. However, top 3 customers contributed to 91% of the total sales of FY21 indicating a concentrated customer profile. It is also exposed to geographical concentration risk with majority of the past projects executed being in Tamil Nadu and Andhra Pradesh. Nonetheless, the company has adequate experience in order to execute projects in these states which provides a comfort.

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

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. The boom in the infrastructure sector, a few years back resulted in an increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output. Further, given the largely tender based procurement mechanism also increases the competition to an extent especially amongst the entities which have a limited geographic distribution of projects.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of Rating Outlook | Infomerics Ratings](#)



Press Release

Liquidity – Adequate

The company has been able to generate a comfortable level of gross cash accruals (GCA) in FY22 Prov. of Rs. 8.61 Cr. The company maintains sufficient cash and bank balance to meet its liquidity requirements. The liquidity of the company is expected to remain satisfactory in the near to medium term in absence of any significant term debt repayment. However, the liquidity is dependent on successful completion of projects and speedy realisation of contract proceeds. The average fund based working capital utilisation stood around ~85% for the past 12 months ended March 2022. The DSCR stood comfortable at 1.33x indicating comfortable liquidity position of the company in meeting its maturing debt obligations.

About the Company:

Sudharma Infratech Private Limited (SIPL) was incorporated in 2008 in Andhra Pradesh. The company is engaged in contract-based construction and renovation of roads and highways with various Government bodies of Andhra Pradesh.

Financials (Standalone):

(In Crore)

For the year ended/ As on*	31-03-2021 (Audited)	31-03-2022 (Provisionals)
Total Income	87.26	89.66
PAT	2.79	4.67
Total Debt	25.12	14.20
Tangible Net Worth	28.81	34.74
PAT margin (%)	3.19	5.19
Overall Gearing Ratio (x)	0.64	0.28

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: NA



Press Release

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (31.03.2021)	Date(s) & Rating(s) assigned in 2020-21 (15.01.21)	Date(s) & Rating(s) assigned in 2019-20 (07.11.2019)
1.	Term loans	Long term	2.40 (Enhanced from Rs. 1.60 Cr.)	IVR BBB- / Stable	IVR BBB-/ Negative	IVR BBB Under Credit Watch with Developing Implications	IVR BBB- /Stable Outlook
2.	Cash Credit	Long term	8.00	IVR BBB- / Stable	IVR BBB-/ Negative	-	-
3.	Bank Guarantee	Short Term	25.00	IVR A3	IVR A3	IVR A3 Under Credit Watch with Developing Implications	IVR A3

Name and Contact Details of the Rating Analyst:

Name: Sejal Patil Tel: (022) 62396023 Email: sejal.patil@infomerics.com	Name: Prakash Kabra Tel: (022) 62396023 Email: prakash.kabra@infomerics.com
---	---

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 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



Press Release

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term loans	-	-	February, 2026	1.60	IVR BBB-/ Stable
Term loans	-	-	February, 2027	0.80	IVR BBB-/ Stable
Cash Credit	-	-	Revolving	8.00	IVR BBB-/ Stable
Bank Guarantee	-	-	Revolving	25.00	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-Sudharma-Infratech-June22.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.