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Sushee Hi-Tech Projects Private Limited (SHPPL)

October 18, 2023

Ratings:

Instrument / Facility	Amount (INR Crore)	Ratings	Rating Action	Complexity Indicator
Long Term-Fund Based-Bank Facilities	94.72	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Short Term- Non-Fund Based-Bank Facilities	55.28	IVR A4+ (A Four Plus)	Assigned	Simple
Total	150.00	Rupees One-Fifty Crore		

Details of Facilities are in Annexure 1

Detailed Rationale:

The ratings assigned to the bank facilities of Sushee Hi-Tech Projects Private Limited factors in experienced promoters with long track record of operations, healthy order book position, structured cash flow and waterfall mechanism in escrow account, growth in scale of operations and satisfactory interest coverage indicators. The ratings however constrained by moderate EBITDA margin and leverage capital structure.

Key Rating Sensitivities:

Upward Factors:

- Timely execution of orders leads to substantial increase in scale of operations while maintaining the profitability margins in the level.
- Substantial improvement in the capital structure leading to overall gearing reducing below 1.5x on a sustained basis.

Downward Factors:

- Any delay in execution of orders leading to decline in revenue and profitability margins.



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- Any deterioration debt coverage indicators marked with total debt to gross cash accruals above 4.5x.

Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced promoters with long track record of operations

SHPPL has established presence in business of Civil Constructions & Project Execution with special emphasis on Mining Projects, infrastructure Projects of Earthwork excavation, Canal Lining amongst others. Mr. Anil K Reddy, the managing director of SHPPL, has more than three decades of experience in the line of Infra-mining projects. Mr. Reddy is accompanied by his son, Mr. K. Shiva Reddy, Executive Director and wife, Mrs. K Ramya Reddy, Wholetime Director and Mr. Manohar Rao, Director who handles the business operations.

Healthy albeit concentrated order book position

SHPPL has a healthy order book position of Rs. 2486.97 Cr as of July 2023; estimated to be executed over the next 2-3 years providing medium-term revenue visibility. The outstanding order book translates 6.86x of FY23's revenue and is expected to be executed within February 2026. The company order remains concentrated with entire outstanding order book is from The Singareni Collieries Company Limited. The promoters' extensive industry experience established track record in executing such orders and healthy order book will aid SHPPL's business risk profile over the medium term.

Structured cash flow and waterfall mechanism in escrow account

SHPPL raises bills to The Singareni Collieries Company Limited (SCCL) every fortnight for the work done and receives payment within a week's time into the escrow account maintained with the bank which has presence of waterfall mechanism. The regular and timely flow of the cash from SCCL leads to regular recovery of debt obligations with the balance funds being allowed to be transferred to SHPPL's operating account for its regular operations. The escrow account with waterfall mechanism ensures proper utilization of the cash flows.

Growth in scale of operations

SHPPL's revenue stood moderate ranging from Rs. 187 crore to Rs. 362 crore over past five years ended FY23. The total revenue increased from Rs. 187.24 crore in FY19 to Rs. 362.34 crore in FY23 (prov.) with CAGR of 14.12%. The company recorded stable increase in revenue till FY20 which moderated marginally during FY21 due to Covid-19 disruptions. However, in FY22 the same has increased by 49% to Rs. 304.85 crore and further increased to Rs. 363.40



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crore in FY23 due to higher demand for coal which is mainly used in thermal power. booked income of Rs. 191.22 crore in 5MFY24 (5MFY23: Rs. 115.54 crore). Infomerics expects company revenue to increase further in FY24 as the outstanding orders are scheduled to be completed by FY26. It

Satisfactory interest coverage indicators

The company's gross accruals increased to Rs. 63.48 crore in FY23 from Rs. 56.07 crore in FY22 which has resulted in satisfactory debt coverage indicators marked by total debt/GCA of 2.72x as of March 31, 2023 (Prov.) improved from 3.82x as of March 31, 2022. The interest coverage stood at 3.18x in FY23 (Prov.) as against 3.32x in FY22.

Healthy EBITDA margin

The EBITDA margin of the company moderated from FY21 due to an increase in contract expenses viz. site expenses, employee costs. During FY19, the contract expenses to total expenses stood at 21% however in FY23 it rose to 69% of total revenue, as of result of this the EBITDA margin declined marginally from 43.80% in FY19 to 26.50% in FY23 (Prov.).

Key Rating Weaknesses:

Leveraged capital structure

SHPL capital structure remains leveraged due to increase in the term debt for acquiring machinery/equipment to execute orders. The unsecured loan from promoters of Rs. 8.58 crore is subordinated. The overall gearing of the company improved albeit remained leveraged at 3.09x as of March 31, 2023(Prov.) as against 6.75x as of March 31, 2022. The total outside liabilities to tangible networth remains at 4.49x as of March 31, 2023 (Prov.) from 8.86x as of March 31, 2022.

Analytical Approach: Standalone

Applicable Criteria:

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

[Rating Methodology for Infrastructure Companies](#)

[Criteria on Default Recognition](#)

[Criteria for rating outlook](#)

Liquidity-Stretched



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Liquidity is stretched marked with tightly matched cash accruals to repay its term debt obligations of Rs. 79.71 in FY24 and cash and bank balance stood low at Rs. 0.17 crore as of March 31, 2023 (Prov.). The company availed credit period upto 120-160 days from its suppliers. The company has been sanctioned with overdraft of Rs. 3 crore and the average utilisation stood at 92.58% for last twelve months ended July 2023.

About the Company:

Sushee Hi-Tech Projects Private Limited (SHPPL) based in Hyderabad (Telangana) and incorporated as a private limited company in 2008, Sushee Hi-tech Projects Private Limited is engaged in the business of Civil Construction & Project Execution with special emphasis on Mining Projects, infrastructure Projects of Earthwork excavation, Canal Lining amongst others. SHPPL is a family-owned business and promoted by Mr. K. Anil Reddy and his family members. SHPPL is currently engaged in overburden removal (OBR) for coal mines of Singareni Collieries Company Limited (SCCL).

Financials: Standalone

For the year ended / INR. Crore*	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	304.42	362.34
EBITDA	83.86	96.00
PAT	5.55	14.66
Total Debt	224.64	174.71
Tangible networth	33.27	56.52
Ratios		
EBIDTA Margin (%)	27.55	26.50
PAT Margin (%)	1.82	4.03
Overall Gearing Ratio (x)	6.75	3.09

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CRISIL has continued to place the rating of Sushee Hi-Tech Projects Private Limited under 'issuer not cooperating' category due to non-submission of information vide PR dated April 29, 2023.

Any other information: Not Applicable



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Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Bank Facility - Term Loan	Long Term	91.72	IVR BB+/Stable	-	-	-
2.	Long Term Bank Facility - Cash Credit	Long Term	3.00	IVR BB+/Stable	-	-	-
3.	Short Term- Non-Fund Based- Bank Guarantees	Short Term	36.30	IVR A4+	-	-	-
4.	Short Term- Non-Fund Based- Proposed	Short Term	18.98	IVR A4+	-	-	-

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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: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Bank Facility -Term Loan	-	-	Upto June 2027	91.72	Assigned
Long Term Bank Facility -Cash Credit	-	-	-	3.00	Assigned
Short Term- Non-Fund Based- Bank Guarantees	-	-	-	36.30	Assigned
Short Term- Non-Fund Based- Proposed	-	-	-	18.98	Assigned

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Sushee-oct23.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