



Press Release

Swastika Infra Private Limited

June 29, 2023

Ratings

Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	24.58	IVR BBB-/ Stable (IVR triple B minus with stable outlook)	Assigned	Simple
Short Term Bank Facilities	105.50	IVR A3 (IVR A three)	Assigned	Simple
Total	130.08 (Rs. One hundred thirty crore and eight lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Swastika Infra Private Limited (SIPL) derives strength from the experienced promoters, significant improvement in revenue and profits in FY23, comfortable capital structure with satisfactory gearing and debt protection metrics, healthy order book position reflecting revenue visibility, reputed clientele leading to low counterparty risk, and Government's thrust on infrastructure. However, these rating strengths are constrained by the facts that SIPL has a relatively small scale of current operations, exposed to geographical concentration risk, intense competition and tender driven nature of its business.

Rating Sensitivities

Upward Factors

- Continuous inflow of orders with improvement in scale of operations, profits and cash accruals.
- Significant improvement in the working capital cycle of the Company.

Downward Factors

- Moderation in the scale of operations and/or deterioration in profit margin impacting the liquidity and debt coverage indicators.
- Elongation of operating cycle.

Detailed Description of Key Rating Drivers



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Key Rating Strengths

Experienced promoters

Swastika Infra Private Limited (SIPL) was founded by Mr. Vinay Gupta, Mr. Babu Lal Gupta and Mrs. Ruchira Gupta. All of them are very experienced in the EPC field connected with installation of substation and transmission lines and have experienced upcycles and downcycles connected with the power industry. While they are actively involved in the strategic operations of the Company, they are also well supported by a team of experienced professionals, who look after the day-to-day operations. Overall, the Company is in good hands.

Significant improvement in revenue and profits in FY23

SIPL witnessed a significant improvement in its scale of operation in FY23 with a year – on-year increase of ~159% in FY23. The revenue of the Company improved from Rs. 59.19 crore in FY22 to Rs. 153.36 crore in FY23 driven by timely execution of its order book. Consequently, it witnessed a significant improvement in its profits on an absolute basis in FY23 and generated an absolute EBITDA of Rs. 18.53 crore in FY23 (Rs. 5.96 crore in FY22) and a PAT of Rs. 10.39 crore in FY23 (Rs. 1.68 crore in FY22). Further, the EBITDA margin of the Company improved from ~10.06% in FY22 to ~12.08% in FY23 while the PAT margin improved from ~2.81% in FY22 to ~6.73% in FY23 due to lower overhead costs.

Comfortable capital structure with satisfactory gearing and debt protection metrics

The capital structure of the Company remained comfortable with its satisfactory net worth base supported by its low reliance on external debt. The overall gearing of the Company improved from 1.71x as on March 31, 2022, to 0.63x as on March 31, 2023 on account of healthy accretions of reserves and repayment of term loans. Though the total indebtedness of the Company as marked by the TOL/TNW remained at a moderate level, it improved from 2.90x as on March 31, 2022, to 1.74x as on March 31, 2023. Interest coverage ratio continued to remain comfortable and improved to 4.35x in FY23 from 2.56x in FY22. DSCR improved to 2.97x in FY23 from 1.27x in FY22.

Healthy order book position reflecting revenue visibility



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SIPL's unexecuted order book stood at ~INR 204.49 crore as on March 31, 2023, i.e., ~1.33 times of its FY23 audited revenues, which provides near term revenue visibility. Infomerics notes that the Company's ability to scale up resources both in terms of machinery and manpower for successful execution of the current order book in due time will remain a key rating factor going ahead.

Reputed clientele, leading to low counterparty risk

The Company primarily undertakes contracts for laying underground cables for power transmission and installation of substations for different State and Central PSU's. Since the client base of the company is majorly Government departments, the counterparty risk remains low.

Government's thrust on infrastructure

The infrastructure sector has seen some major developments, investments, and support from the government in the recent past. In Union Budget 2023-24, the government has given a massive push to the infrastructure sector by allocating Rs. 10 lakh crores to it. SIPL with its experience in executing projects in civil infrastructure development is likely to be benefitted in the near to medium term by the increased thrust of the government in developing infrastructure.

Key Rating Weaknesses

Small scale of current operations

Although revenue increased to Rs 153.36 crore during fiscal 2023, from Rs 59.19 crore in fiscal 2022, it continued to remain small. Relatively small scale of operations restricts the financial flexibility of SIPL and hinders the benefits of economies of scale.

Geographical concentration risk

The major portion of the company's revenues and the current order book are concentrated in West Bengal. Though the company is executing orders in other states as well, the proportion of the same in the revenue and order book remains low, exposing SIPL to high geographical concentration risk.

Intense competition



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The industry is characterized by high fragmentation with a large number of players, constraining the pricing power of SIPL. Besides, the growth of SIPL is intertwined with the growth of the economy and is dependent on government finances. Having said that, SPIL has enough scope to obtain new orders on account of Government's continuous focus on the development of the power sector.

Tender driven business nature of the business

The Company is entirely dependent on tenders floated by the various State Governments and its success on winning these tenders, which essentially means that the Company would have to be the lowest cost bidder in most cases. Thus, the Company would have to strike a fine balance between increasing its topline and maintaining its margins.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The Company had a moderate current ratio of 1.39x on March 31, 2023 and this ratio is expected to remain between 1.48x and 2.32x during March 31, 2024 to March 31, 2026. The GCAs of each of the years between FY23 and FY26 comfortably cover the debt repayments due in the respective years. The long-term debt was absolutely minimal, and the Company had a net cash position (Cash and Bank Balance – Total Debt) of INR 7.02 crore as on 31.03.2023. While the Operating Cycle of the Company was slightly elongated at 100 days in FY23, it is expected to remain at around 60 days between FY24 and FY26. However, the reliance on fund based working capital limits had been very high at around ~94% for the 12 months ended March 2023, which indicates a very limited cushion.

About the Company



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Incorporated in 2019, Swastika Infra Private Limited (SIPL) has grown very fast over the years with successful ventures into power project contracting and trading of electrical parts. SIPL is mainly engaged into execution of turnkey projects for laying of power transmission lines directly and indirectly for government agencies and is also involved in trading of electrical cables and conductors and related electrical products.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023
	Audited	Audited
Total Operating Income	59.19	153.36
EBIDTA	5.96	18.53
PAT	1.68	10.39
Total Debt	35.69	22.66
Tangible Net Worth	20.86	35.71
EBDITA Margin (%)	10.06	12.08
PAT Margin (%)	2.81	6.73
Overall Gearing Ratio (x)	1.71	0.63

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

CRISIL through its press release dated August 17, 2022 classified SIPL's rating under 'Issuer not Cooperating' category on account of inadequate information received from the Company to carry out the review.

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. 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.	Guaranteed Emergency Credit Line	Long Term	0.08	IVR BBB-/ Stable	-	-	-
2.	Cash Credit Limits	Long Term	23.50	IVR BBB-/ Stable	-	-	-
3.	Overdraft	Long Term	1.00	IVR BBB-/ Stable	-	-	-
4.	Letter of Credit	Short Term	5.00	IVR A3			



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5.	Bank Guarantee Limits	Short Term	100.50	IVR A3	-	-	-
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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 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
Guaranteed Emergency Credit Line	-	-	July 2024	0.08	IVR BBB-/ Stable
Cash Credit 1	-	-	-	6.00	IVR BBB-/ Stable
Cash Credit 2	-	-	-	5.00	IVR BBB-/ Stable
Cash Credit 3	-	-	-	12.50	IVR BBB-/ Stable
Overdraft	-	-	-	1.00	IVR BBB-/ Stable
Letter of Credit	-	-	-	5.00	IVR BBB-/ Stable
Bank Guarantee 1	-	-	-	29.00	IVR A3
Bank Guarantee 2	-	-	-	20.00	IVR A3
Bank Guarantee 3	-	-	-	29.00	IVR A3
Bank Guarantee 4	-	-	-	15.00	IVR A3
Bank Guarantee 5	-	-	-	7.50	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-Swastika-jun23.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