Press Release

Sadbhav Futuretech Limited

(erstwhile Sadbhav Futuretech Private Limited)

April 01, 2025

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-term Bank Facilities	150.00 (enhanced from 55.00 and including proposed limit of 55.60)	IVR BBB/ Stable (IVR triple B with Stable outlook)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Rating upgraded	Simple
Short-term Bank Facility	25.00 (full proposed)	IVR A3+ (IVR A Three plus)	-	Rating assigned	Simple
Total	**175.00 (Rs. One hundred and seventy-five 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

The upgrade of the long-term rating and rating assigned to the short-term bank facilities of Sadbhav Futuretech Limited (SFL) takes into account the significant increase in scale of operation and improvement in profitability along with the improvement in financial risk profile during FY24 (refers to period April 1st, 2023 to March 31st, 2024) and 11MFY25 (provisional) (refers to period April 1st, 2024 to February 28th, 2025). Further, the ratings continue to derive strength from long experience of promoters, healthy order book position and conservative capital structure and comfortable coverage indicators. These rating strengths continues to remain partially offset by relatively moderate scale of operations, volatility in raw material prices, intense competition and cyclicality in the infrastructure industry and working capital intensive nature of operations.

The long-term rating outlook is Stable on the back of satisfactory demand outlook of the solar power industry coupled with increase in scale of operation and improvement in financial risk profile of the company.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in scale of operations with improvement in the margins of the company
- Improvement in the capital structure leading to improvement in the debt protection metrics

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and/or moderation in overall gearing
- Deterioration in operating cycle on a sustained basis

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long experience of promoters**

The company is promoted by three key persons: Mr. Saikat Roy, an Engineer and MBA, Mr. Bhupender Singh, a Postgraduate in Mathematics and Business Management, and Mr. Nilesh Jain, a Chartered Accountant. Each of these men has an experience of around 20 years in multi-disciplinary functions across various sectors and has an extensive network of contacts. Thus, the combined experience of these individuals is poised to keep the company in good stead going forward. The results can be seen through the significant rise in revenue over the past three years.

- **Significant improvement in revenue and profits in FY24 and 11MFY25**

The operating income of the company increased by ~82% YoY from Rs. 72.98 crore in FY23 (refers to period April 1st, 2022 to March 31st, 2023) to Rs. 132.95 crore in FY24, primarily because of increase in orders received towards the end of FY23 (the order execution period for the company is generally 12-15 months). Most of the orders executed in FY24 were related to the Government's Kusum Scheme. The EBITDA in absolute term increased by ~383% YoY from Rs. 4.04 crore in FY23 to Rs. 19.50 crore in FY24, primarily because of the fact that the cost of modules that was envisaged while bidding for the tender was much higher than the actual cost incurred. Further, monocrystalline modules were installed in FY24 compared to polycrystalline modules in FY23, which increased the efficiency of solar power generation and thus less number of modules were required for the generation of same amount of electricity, which led to cost savings. Moreover, there was a positive effect of operating leverage. All these gave rise to more than proportionate increase in EBITDA compared to increase in revenue in FY24 and thus the EBITDA margins also increased. Further, the company has already achieved TOI of Rs. 207.40 crore in 11MFY25 with an operating profit of Rs. 34.46 crore.

- **Healthy order book position**

The company's order book position stood very healthy at the end of February 28, 2025. Most of these orders will be executed over a 12-15 month period. That gives an adequate visibility with regard to revenue conversion in the near term, and the projected revenue for FY26 (refers to period April 1st, 2025 to March 31st, 2026) is well within the expected order conversion in FY26 coupled with additional orders, which adds to the comfort.

- **Conservative capital structure and comfortable coverage indicators**

While the total debt of the company increased from Rs. 28.18 crore on March 31, 2023 to Rs. 55.70 crore on March 31, 2024, and the long-term debt increased from Rs. 4.11 crore on March 31, 2023 to Rs. 7.65 crore on March 31, 2024, the long-term debt equity ratio on adjusted net worth dipped from 0.86x on March 31, 2023 to 0.31x on March 31, 2024. The overall gearing ratio on adjusted tangible net worth dipped from 5.90x on March 31, 2023 to 2.29x on March 31,2024. Adjusted net worth considers quasi equity of Rs. 8.90 crore infused by the promoters in FY24. The drop in gearing ratio and long-term debt equity ratio on adjusted basis can be attributed to the infusion in quasi equity along with the significant increase in profits. The interest coverage ratio improved from 1.52x in FY23 to 3.70x in FY24 primarily because of increase in EBITDA in FY24. The DSCR improved from 1.40x as on March 31, 2023 to 3.03x as on March 31, 2024. Further, total indebtedness of the company, marked by adjusted TOL/TNW, also dropped from 7.78x as on March 31, 2023 to 3.28x as on March 31, 2024.

Key Rating Weaknesses

- **Relatively moderate scale of operations**

While the Total Operating Income increased from Rs. 72.98 crore in FY23 to Rs. 132.95 crore in FY24 primarily because of receipt of more orders towards the end of FY23, which got converted to revenue in FY24, the fact remains that the scale of operations of the company is relatively moderate.

- **Volatility in raw material prices**

Given the nature of the work performed by the company, the company has to confront volatility in raw material prices. Raw materials primarily include modules, structures, HDPE, and cables.

Thus, the volatility in raw material prices can affect the margins of the company negatively or positively in a particular period.

- **Intense competition and cyclicality in the infrastructure industry**

The infrastructure industry is cyclical in nature and has witnessed prolonged periods of downturn in the past. But the current outlook for the infrastructure industry, including irrigation projects appears to be good with robust demand in the domestic market. Examples include PM Kusum project through which 35 lakhs solar pumps are to be installed over the next 5 years, Saur Sujala Yojana of the Chhattisgarh government through which the state government would distribute 51,000 solar powered irrigation pumps, and Mukhyamantri Saur Krushi Pump Yojana through which 1,00,000 off-grid solar pumps are to be installed. Having said all those, the industry is becoming increasingly competitive with the presence of a number of players, which may affect the business of the company going forward.

- **Working capital intensive nature of operations**

The operations of the company are working capital intensive in nature because of the high collection period connected with debtors. While the collection period dropped from 173 days in FY23 to 130 days in FY24, it still remained high. The average inventory period dropped from 22 days in FY23 to 16 days in FY24 while the creditors period also dropped from 76 days in FY23 to 28 days in FY24. The net effect of all these decreased the operating cycle of the company to 118 days in FY24 from 119 days in FY23. The average utilisation of its fund-based limit remained moderate at ~64% during last twelve months ended in January, 2025.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

SFL has earned a gross cash accrual of Rs. 10.72 crore in FY24. Further the company is expected to earn a gross cash accrual in the range of ~Rs. 27 - 81 crore as against its low debt repayment obligations of Rs. 2.20 to 4.29 crore during FY25-27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. The average cash credit utilization of the company also remained moderate at ~64% during the past 12 months ended January 2025 indicating sufficient liquidity cushion. Further, absence of any debt funded capex provides further comfort to the liquidity position.

About the Company

Sadbhav Futuretech Limited (SFL) (erstwhile Sadbhav Futuretech Private Limited) was incorporated in 2020. The company is into the EPC space and is engaged in the installation of submersible solar pumps for irrigation purposes by getting involved in setting up a complete solar power project. The company's promoters are Mr. Saikat Roy, Mr. Bhupendra Singh, and Mr. Nilesh Jain. Each of them has an average experience of more than 20 years in various capacities. The registered office of the company is located in Raipur, Chhattisgarh. However, the major operations of the company are currently being carried out in the state of Maharashtra and Haryana. The company participates in tenders floated by various State Governments and engages with private parties such as Rotomag, and Premier as a sub-contractor.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	72.98	132.95
EBITDA	4.04	19.50
PAT	1.03	10.67
Total Debt	28.18	55.70
Adjusted Tangible Net Worth	4.77	24.31
EBITDA Margin (%)	5.54	14.67
PAT Margin (%)	1.41	8.02
Adjusted Overall Gearing Ratio (x)	5.90	2.29
Interest Coverage (x)	1.52	3.70

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 (Aug. 05, 2024)	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
1.	Working Capital Term Loan	Long Term	1.90	IVR BBB/ Stable	IVR BBB-/ Stable	-	-
2.	Cash Credit (including proposed limit)	Long Term	148.10	IVR BBB/ Stable	IVR BBB-/ Stable	-	-
3.	Proposed Bank Guarantee	Short Term	25.00	IVR A3+	-	-	-

Analytical Contacts:

Name: Sanmoy Lahiri	Name: Sandeep Khaitan
Tel: (033) 4803 3621	Tel: (033) 4803 3621
Email: s.lahiri@infomerics.com	Email: sandeep.khaitan@infomerics.com

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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
Working Capital Term Loan	-	-	-	Mar. 2027	1.90	IVR BBB/ Stable
Cash Credit 1	-	-	-	-	22.50*	IVR BBB/ Stable
Cash Credit 2	-	-	-	-	30.00#	IVR BBB/ Stable
Cash Credit 3	-	-	-	-	25.00	IVR BBB/ Stable
Cash Credit 4	-	-	-	-	15.00	IVR BBB/ Stable
Proposed Cash Credit	-	-	-	-	55.60	IVR BBB/ Stable
Proposed Bank Guarantee	-	-	-	-	25.00	IVR A3+

**Working capital demand loan of Rs. 10.00 Cr. and FCY 18.00 Cr. are sublimits of cash credit from Yes Bank*

#Working capital demand loan of Rs. 30.00 Cr. is sublimit of cash credit from RBL Bank

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-sadbhav-apr25.pdf

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

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