



Press Release

Sudharma Infratech Private Limited

August 17, 2023

Ratings:

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long term Bank Facilities Term loans	1.60	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed.	Simple
Long term Bank Facilities Cash Credit	8.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed.	Simple
Short Term Bank Facilities Bank guarantee	25.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	34.60			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating affirmed to Sudharma Infratech Private Limited derives its strength from experienced promoters and long track record of operation, reputed clientele base, strong order book and comfortable and improving capital structure and debt protection matrices. However, the rating is constrained by stagnant financial performance, customer concentration risk, 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.

List of Key Rating Drivers with Detailed Description



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Experienced promoters and long track record of operation

SIPL has established an 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 generated repeat orders from them. At present, the company has orders from Ministry of Road Transport & Highways, NHAI and R&B, Government of Andhra Pradesh amongst many others.

Strong order book

The company has a good track record of successfully executing various road 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 an unexecuted order book of around INR ~433 crores as of May 2023 which is ~5 times of its FY23(Prov.) revenue.

Comfortable and improving capital structure and debt protection metrics.

The capital structure of the company has been improving over a period of time with an overall gearing of 0.25x (FY22: 0.45x) while long-term debt equity ratio of 0.13x at the end of FY23(Prov.) (FY22: 0.29x). The total debt to gross cash accruals stood comfortable at 1.35x at the end of FY23 (Prov.) as compared to that of 2.23x at the end of FY22.

Key Rating Weaknesses

Stagnant financial performance



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Revenue growth remained flat during FY23 as compared to FY22 and the company has recorded revenue of INR 91.68 crores in FY23(Prov.) (FY22: 90.11 crores) due to stable execution of orders. Company's EBITDA margin and PAT margin also remained flat growth at 10.97% & 3.96% in FY23(Prov.) (FY22: 10.88% & 3.55%) respectively on account of stable interest and finance costs, lower growth in prices of input materials and modest growth in total operating income.

Customer concentration risk

The present order book mainly consists of rehabilitation, up-gradation, and repair of road construction. However, the top 3 customers contributed to ~100% of the total sales of FY23 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 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 the 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, a 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 \(Non-Financial Sector\)](#)



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

Liquidity – Adequate

The company has been able to generate a comfortable level of gross cash accruals (GCA) in FY23(Prov.) of INR 8.61 Crores. 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%. The DSCR stood comfortable at 1.13x 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):

For the year ended/ As On	31-03-2022	31-03-2023
	(Audited)	(Provisionals)
Total Operating Income	90.11	91.68
EBITDA	9.80	10.05
PAT	3.21	3.63
Total Debt	15.98	9.78
Tangible Net-worth	35.46	39.49
Ratios		
EBITDA Margin (%)	10.88	10.97
PAT Margin (%)	3.55	3.96
Overall Gearing Ratio (x)	0.45	0.25



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Status of non-cooperation with previous CRA: None

Any other information: NA

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 (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (01.06.2022)	Date(s) & Rating(s) assigned in 2021-22 (31.05.2021)	Date(s) & Rating(s) assigned in 2020-21 (15.01.2021)
1.	Term loans	Long term	1.60	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Negative	IVR BBB- Under Credit Watch with Developing Implications
2.	Cash Credit	Long term	8.00	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Negative	-
3.	Bank Guarantee	Short Term	25.00	IVR A3	IVR A3	IVR A3	IVR A3 Under Credit Watch with Developing Implications

Name and Contact Details of the Analytical Team:

Name: Amey Joshi
Tel: (022) 62396023
Email: amey.joshi@infomerics.com

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 the best international practices and



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maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates a 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.

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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
Term loans	-	-	-	1.60	IVR BBB-/ Stable
Cash Credit	-	-	-	8.00	IVR BBB-/ Stable



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Bank Guarantee	-	-	-	25.00	IVR A3
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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-aug23.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.