



Press Release

Sudharma Infratech Private Limited

December 03, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities – Working Capital Term Loan	2.40	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Upgraded	Simple
Long Term Bank Facilities – Cash Credit	12.60	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Upgraded	Simple
Short Term Bank Facilities – Bank Guarantee	30.00	IVR A3 (IVR A three)	IVR A4+ (IVR A Four Plus)	Upgraded	Simple
Total	45.00	(Rupees Forty-Five Crores Only)			

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2.

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Ratings had previously upgraded the ratings on Sudharma Infratech Private Limited (SIPL) from IVR D to IVR BB+ after studying the bank statements of all the lenders which confirmed that the company has been servicing all its loan obligations on timely basis from April 2024 onwards, thereby establishing a track record of well over three months of continuous timely debt servicing. The present upgrade follows a written confirmation received from the lender HDFC Bank stating that due to miscommunication from its Commercial Equipment Lending Team, SIPL was not informed the correct due date of payment of the first EMI on the three equipment loans it had availed in late FY24. The bank also confirmed that as on the actual due date (5th March 2024), the company had sufficient balance in its Cash Credit account from which to make the payment. Given the lack of prior intimation concerning the due date, the company had not transferred the required amount to its current account which gets debited for payment of EMIs.



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Based on this written confirmation from HDFC Bank, the agency is upgrading the rating to investment grade prior to the expiry of 365 days from the date of press release wherein the default was recognised (16 October 2024).

The rating is supported by the healthy revenue growth demonstrated by the company in the past and which is expected to be maintained over the projected period of three years given its favourable track records in the civil and road infrastructure space. The ratings also benefit from stable and healthy profitability margins.

The Stable outlook reflects Infomerics' view that the company's strong order book provides revenue visibility for at least two years and the company is expected to maintain healthy EBITDA margins translating into healthy and stable debt coverage ratios.

Key Rating Sensitivities:

Upward Factors

- Increase in order book and timely execution of the same.
- Improvement in operating cycle

Downward Factors

- Decline in profitability and elongation in operating cycle

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoters and management team**

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.

- **Healthy order book indicating near term revenue visibility**

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. The company has completed many major as well as minor



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projects and an unexecuted order book of around INR ~402.27 crores as of September 30, 2024.

- **Healthy revenue growth and profitability margins**

The operating Income of the company grew by ~25.74% to Rs. 115.28 crore for FY24 on the back of increase in order book and timely execution of high value projects across its electrical and civil business unit. The EBIDTA and PAT of the company also registered a robust growth of ~27.45% and 44.00% respectively for FY2024. EBIDTA margin of the company increased to 8.45% for FY2024 from 8.34% for FY2023 whereas PAT margin stood at 3.12% for FY2024 from 2.69% in FY2023.

Key Rating Weaknesses

- **Working capital intensive operations**

The company's operations are working capital intensive in nature as reflected by its Operating cycle days of around 128 days as on March 31, 2024. The average collection period remains high at 80 days in as on March 31, 2024 however improved from 91 days as on March 31, 2023. The average creditor period stood to 44 days as on March 31, 2024 from 57 days as on March 31, 2023. The company is highly reliant on working capital borrowings and its utilization level were at an average of ~72.61% for 12 months ended October 2024.

- **Concentrated customer base**

The present order book mainly consists of rehabilitation, up-gradation, and repair of road construction. And 93% of the order is from 3 clients only. This implies very high dependency on a few clients.

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

The domestic infrastructure works sector is highly crowded with presence of many players with varied statures & capabilities which limits the pricing power of the companies. Largely tender based procurement mechanism also increases the competition to an extent especially amongst the entities which have a limited geographic distribution of projects.



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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

Liquidity profile of SIPL appears to be adequate with the current ratio of 1.84x and Quick ratio of 1.12x as on March 31, 2024. The company is earning a comfortable level of Gross Cash Accruals (GCA) which stood at Rs. 7.01 crore as on March 31, FY2024 and the same is expected to improve during the projected period with increase in scale of operations. The GCA is expected to be in the range of ~Rs. 13.00 crores to Rs. 17.00 crores annually during the projected period which is adequate to meet the repayment obligations. The company has cash & bank balance of Rs. 4.76s crore as on March 31, 2024. The average working capital utilization level stood at ~72% during last twelve months ended October 31, 2024.

About the Company

Sudharma Infratech Private Limited (SIPL) was incorporated in 2008 in Andhra Pradesh. The company is promoted by Mr. R.V.V Sudhakar who is the managing director of the company, having a vast experience in civil work. He has executed various works in name of M/s Sri Dattatreya Construction and Service Private Limited, which undertakes private construction work. Now, M/s Sri Dattatreya Construction and Service Private Limited has been merged with Sudharma Infratech Private Limited since the year 2016. Sri Dattatreya Constructions and Services Private Limited used to undertake construction of civil works for M/s. Larsen & Toubro Limited, M/s. Tisco, M/s. Kakinada Sea Ports, Gangavaram Ports and Krishnapatnam port. Currently Sudharma Infratech Private Limited undertakes government work and projects. The company is engaged in contract-based construction and renovation of roads and highways with various Government bodies of Andhra Pradesh.



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Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	91.68	115.28
EBITDA	7.65	9.75
PAT	2.50	3.60
Total Debt	9.82	25.13
Tangible Net Worth	38.63	37.90
EBITDA Margin (%)	8.34	8.45
PAT Margin (%)	2.69	3.12
Overall Gearing Ratio (x)	0.25	0.59
Interest Coverage (x)	3.84	6.16

* As per Infomerics Standard

Status of non-cooperation with previous CRA: Nil

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
	PR Date				(October 16, 2024)	(August 17, 2023)	(June 01, 2022)
1.	Working Capital Term Loan	Long Term	2.40	IVR BBB-/ Stable	IVR D	IVR BBB- / Stable	IVR BBB- / Stable
					IVR BB+/ Stable (November 05, 2024)		
2.	Cash Credit	Long Term	12.60	IVR BBB-/ Stable	IVR D	IVR BBB- / Stable	IVR BBB- / Stable
					IVR BB+/ Stable (November 05, 2024)		
3.	Bank Guarantee	Short Term	30.00	IVR A3	IVR D	IVR A3	IVR A3
					IVR A4+ (November 05, 2024)		



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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.

For more information and definition of ratings please 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
Long Term – Working Capital Term Loan	-	-	-	2.40	IVR BBB-/ Stable
Long Term – Cash Credit	-	-	-	12.60	IVR BBB-/ Stable
Short Term – Bank Guarantee	-	-	-	30.00	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-sudharma-infratech-dec24.pdf>

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

Annexure 4: List of companies considered for consolidated 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.