

Press Release

Sudharma Infratech Private Ltd

November 07, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs Crore)	Rating Assigned
1	Long Term (Fund based - CC)	8.00	IVR BBB- / Stable Outlook ; (IVR Triple B Minus with Stable Outlook)
2	Short Term (Non-Fund based - LC/BG)	16.25	IVR A3 (IVR A Three)
Total		24.25	

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from industry experience of promoters and the long track record of operations, reputed clientele base, strong order book, moderate capital structure and the improving financial performance of the company. The rating however is partially offset by the customer concentration risk and the highly fragmented and competitive nature of the construction sector.

Key Rating Sensitivities

- **Upward Factor**
 - Continued increase in order book and timely execution of the same
 - Further improvement profitability margins
- **Downward Factor**
 - Leveraged capital structure

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and long track record of operation

SIPL has established operational track record of more than a decade in construction of various civil construction, road, and bridge. 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 caters to both government as well as private entities and has generated repeat orders from them. Further there is new addition to the customer base which in turn increases its scale of operation, at present company has order from Ministry of Road Transport & Highways, Trichy Tollway Private Limited and Macquarie & Ashoka Buildcon Limited.

Strong order book

Over the past years, the company has successfully completed many projects across Andhra Pradesh and Telangana. The company currently has orders in hand aggregating to around Rs.485.47 crore to be executed by October 2021.

Improvement in financial performance

SIPL has achieved growth, despite slowdown in the infrastructure/ construction industry in the recent past. SIPL's total operating income increased to Rs.112.01 crore in FY19 from Rs.21.68 crore in FY18, mainly driven by increased order inflow and higher execution of orders. However, there has been decline in EBITDA margin from 18.84% in FY18 to 11.71% in FY19 due to increase in raw material consumption cost. The PAT margin improved from 2.55% in FY18 to 5.31% in FY19, due to higher operating income and proportionately lower depreciation.

Moderate capital structure and debt protection matrices

The capital structure of SIPL was moderate with an overall gearing of 1.64x and long term debt equity ratio of 1.23x as on March 31, 2019, due to increase in absolute long term debt. The total debt to gross cash accruals stood comfortable at 3.47x in FY19.

Key Rating Weaknesses

Customer concentration risk

The present order book contains rehabilitation, up-gradation and repair of road construction in Tamil Nadu and Andhra Pradesh. However, top 5 customers account for almost 97.53% of total operating income in FY19 indicating a concentrated customer profile. However, the company has adequate experience in order to execute projects in these states which provides a comfort.

Highly fragmented & competitive nature of the construction sector with significant price war

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, 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.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for infrastructure companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The company has being able to generate gross cash accruals of Rs.9.07 crore in FY19. The current ratio of the company was moderate as on March 31, 2019. 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.

About the company

Sudharma Infratech Private Limited (SIPL) was incorporated in 2008 in Andhra Pradesh, the company is promoted by Mr. R.V. Sudhakar who is the managing director. SIPL is engaged in contract-based construction and renovation of roads and highways from various Government bodies of Andhra Pradesh.

Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	21.68	112.01
EBITDA	4.08	13.11
PAT	0.55	5.88
Total Debt	10.04	31.51
Tangible Net worth	13.21	19.16
EBIDTA Margin (%)	18.84	11.71
PAT Margin (%)	2.55	5.25
Overall Gearing ratio (x)	0.76	1.64

* Classification as per Infomerics' standards

Details of Non Cooperation with any other CRA: Nil

Any other information: N.A

Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities	Long Term (CC)	8.00	IVR BBB - /Stable Outlook	--	--	--
Fund Based Facilities	Bank Guarantee	16.25	IVR A3	--	--	--
	Total	24.25				

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Long Term Fund Based (CC)	--	--	--	8.00	IVR BBB- / Stable Outlook
2	Short Term Non Fund Based (BG)	--	--	--	16.25	IVR A3
Total					24.25	