Semac Consultants Limited
(Erstwhile Revathi Equipment Limited)

December 04, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	94.00	CARE BBB+; Stable / CARE A2	Assigned
Long-term / Short-term bank facilities	-	-	Withdrawn
Long-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Semac Consultants Limited (SCL) factor in the long track record of the company in engineering design and design build segment and vast experience of the promoters in the project management services. The ratings also factor in SCL's reputed clientele, and a healthy orderbook which is geographically diversified across various sectors. The ratings also take note of the healthy growth in the operating income of the company during FY23 (refers to the period April 1 to March 31) and a healthy capital structure marked by low overall gearing and adequate liquidity position.
The ratings are, however, constrained by relatively moderate scale of operations, low profitability margins, highly competitive nature of construction industry, and cyclicality associated with the operations.

CARE Ratings Limited (CARE Ratings) had earlier placed SCL (erstwhile Revathi Equipment Limited [REL]) on Rating watch with developing Implications (RWD), as the group entities were undergoing Scheme of Arrangement (SOA) involving REL, its holding companies, Renaissance Advanced Consultancy Limited (RACL) and Renaissance Stocks Limited (RSL), and its subsidiary company, Semac Consultants Private Limited (SCPL). National Company Law Tribunal (NCLT) vide its order dated June 14, 2023, has approved the SOA between REL RSL, RACL and SCPL. The scheme of arrangement was effective from April 1, 2022, in a retrospective manner. Post SOA, the drilling and spare parts business has been demerged as a going concern into a separate entity. Furthermore, SCPL, which was earlier a subsidiary of REL and is an architectural and design build company, merged with the residual business of REL, and subsequently, the name of REL was changed to its present one, viz., SCL. In line with the NCLT order, CARE Ratings has withdrawn the bank facilities pertaining to the drilling business, as they have been transferred to a separate entity, named Revathi Equipment India Limited (REIL)

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the scale of operations to above ₹700 crore while maintaining profit before interest, lease rentals, depreciation and taxation (PBILDT) margins above 8%.
- Improvement in the order book to income ratio of above 3.5x on a consistent basis.

Negative factors

- Slowdown in execution and increase in the fund-based working capital requirements.
- Moderation in the order book position with revenue visibility of below 1.2x.
- Moderation in PBILDT margins below 5% on a consistent basis.

Analytical approach: Consolidated.

The consolidated financials of SCL along with its subsidiary, Semac and Partners LLC in which the company has 65% stake, is being considered.

Outlook: Stable

Stable outlook reflects the stable demand scenario evidenced by a health order book which shall enable it to sustain its credit profile over the medium term.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of the key rating drivers:

Key strengths

Established track record of operations and vast experience of the promoters

SCL was founded in 1977 and has been involved in the Architectural and Engineering Design services since 2008. The company operates through its corporate office in Bangalore and is managed by Abhisek Dalmia, Executive Chairman and Managing director, along with the team of senior experienced professionals, who have more than 20 years of experience in this field. The company operates through two divisions- Design (architectural design services) and Design-Build (where the company, along with Architectural design and engineering services, also executes construction projects through sub-contracting). The company offers its services primarily to private players including the corporates and has a healthy track record of more than two decades in providing design and engineering, procurement and construction (EPC) services in building various manufacturing facilities, warehouses, hotels, institutions, office space, etc.

Reputed clientele

SCL has developed relationships with key clients over the years in industrial building segments which translates into repeat orders. The company has been associated with reputed clients, such as Borosil Ltd, Procter & Gamble Home Products Private Limited, PepsiCo India Holding Pvt Ltd, V-Mart Retail Ltd, Mahindra & Mahindra Ltd, Electro Steel Castings Ltd, Nestle India Ltd, Dr. Reddy's Laboratories Ltd, Ceat Limited, etc.

Revenue visibility aided by healthy order book position.

SCL, which was primarily a design consultancy company, has grown its presence in design build space wherein the company also undertakes EPC projects from various corporates and executes them through the subcontractors. The order book stood healthy above 1.5x of the FY23 revenue as on November 07, 2023, thereby providing good revenue visibility in the medium term. The orderbook of SCL is diversified across various sectors, such as automobile, auto ancillary, fast-moving consumer goods (FMCG), real estate, data warehousing, chemicals, metals, etc. Furthermore, the projects are spread across different geographies across the country thereby minimising any sector specific or geography-related concentration risk.

Healthy capital structure

The capital structure of the company stood healthy marked by overall gearing of 0.05x as on March 31, 2023. The total debt outstanding (on consolidated basis) as on March 31, 2023, was at ₹5.62 crore, comprising lease liabilities of ₹5.33 crore and working capital borrowings of ₹0.33 crore. The debt coverage indicators also remained comfortable with interest coverage at 21.34x and total debt/EBIDTA at 0.21x as on March 31, 2023. Healthy net worth base of ₹117.38 crore as on March 31, 2023, and prudent working capital management has kept the capital structure healthy. CARE Ratings notes that in the absence of any capital expenditure plans and moderate working capital requirements, the capital structure is expected to remain comfortable going forward.

Key weaknesses

Moderate scale of operations albeit healthy growth in scale of operations during FY23

Despite a growth of 311%, the total operating revenue of the company stood moderate at ₹325 crore in FY23 (PY: ₹79 crore). The increase in the revenue can be attributed to higher orders from the design build segment which has led to a sharp increase in the orderbook position. The contribution from the design build segment stood at 89% of the total revenue in FY23 as against 50% in FY22. The PBILDT margins also stood improved to 8.24% vis-à-vis operating losses reported in FY22 owing to weak demand scenario amid the COVID-19 pandemic. The increase in the profitability is on account of increase in the scale of operations and better absorption of fixed costs. SCL has achieved a total income of ₹79 crore in H1FY24 due to lower execution. CARE Ratings expects the same to be higher in H2FY24 which is expected to result in the similar scale of revenue in FY24 as that of FY23.

Intensely competitive and cyclicality in civil construction industry

There are numerous fragmented and unorganised players operating in the industry which makes the civil construction space highly competitive, thus limiting the pricing flexibility of the industry participants. CARE Ratings observes that while the competitive nature of the industry continues, the company mitigates it by providing construction solutions from design, design build and PMC under a single umbrella thus distinguishing it from the competition, and with notable projects and a strong industry presence, the competition somewhat gets mitigated. Also, a major number of SCL's projects are in the infrastructure and real estate sectors, which are cyclical in nature. Hence, the cancellation or deferment of any project can impact the revenue and profitability of the company.

Liquidity: Adequate
The liquidity of the company is adequate with healthy accruals expected in the medium term. SCL has no term debt obligations, and the internal accruals are sufficient to meet modest lease liabilities. The operating cycle of the company stood prudent at 15 days in FY23. SCL executes its projects through subcontractors, thereby operating on an asset light model resulting in low working capital requirement. The company collects the receivables in 45-50 days from its customers and pays its creditors within 25-30 days. The internal accruals are sufficient to meet the working capital requirements of the company. Besides, SCL has a CC limit of ₹10.50 crore utilisation, which stood at 53% in the past 12 months ending September 2023. SCL had fee cash and a bank balance of ₹16 crore as on March 31, 2023, and lien marked fixed deposits of ₹32 crore for the bank guarantees.

Applicable criteria

Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Construction
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil construction

SCL (erstwhile REL) was incorporated in the year 1977 and is headed by its Chairman and Managing Director, Abhishek Dalmia. Till FY22, the company was primarily a manufacturer of blast-hole drills (rotary and down the-hole, diesel/electric driven) with architectural design and design build as other sub-segment of the company. Post the approval of SOA by NCLT, the drilling business has been demerged into a separate entity, and presently, the architecture design and design build is the primary business of the company. Currently, SCL has two divisions- Design (architectural design) and design-build (where the company, along with architectural design and engineering, also executes construction projects through sub-contracting). The company operates from its headquarters in Bangalore and takes up projects largely from the private sector space. Semac & Partners L.L.C, is a Muscat-based company and a subsidiary of SCL, which is also engaged in Architectural design and design build.

Brief Financials (₹ crore) (Consolidated)	March 31, 2022 (A)	March 31, 2022 (A)*	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	181.32	79.86	325.42	79.48
PBILDT	17.11	(0.38)	26.81	2.79
PAT	13.12	2.57	19.27	-1.35
Overall gearing (times)	0.18	0.01	21.34	NA
Interest coverage (times)	3.12	-0.40	19.23	NA

A: Audited, UA: Unaudited, NA: Not Available; Note: 'the above results are latest financial results available', *Restated

Note: The figure for year ending Mach 2022 (A) are not comparable with the restated numbers of FY22 and audited figures of FY23

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit		-	-	-	0.00	Withdrawn
Fund-based - LT/ ST-Working capital limits		-	-	-	0.00	Withdrawn
Fund-based - LT/ ST-Working capital limits		-	-	-	10.50	CARE BBB+; Stable / CARE A2
Non-fund-based - LT/ ST-BG/LC		-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-BG/LC		-	-	-	83.50	CARE BBB+; Stable / CARE A2

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash credit	LT	-	-	-	1)CARE BBB+ (RWD) (27-Dec-22) 2)CARE BBB+ (CW with Developing Implications) (29-Sep-22)	1)CARE BBB+ (CW with Developing Implications) (22-Nov-21) 2)CARE BBB+; Stable (01-Nov-21)	1)CARE BBB+; Stable (08-Jan-21) 2)CARE BBB+ (CW with Developing Implications) (03-Sep-20)
2	Fund-based - LT/ ST-Working capital limits	LT/ST*	-	-	-	1)CARE BBB+ / CARE A2 (RWD)	1)CARE BBB+ / CARE A2 (CW with	1)CARE BBB+; Stable / CARE A2

						(27-Dec-22) 2)CARE BBB+ / CARE A2 (CW with Developing Implications) (29-Sep-22)	Developing Implications) (22-Nov-21) 2)CARE BBB+; Stable / CARE A2 (01-Nov-21)	(08-Jan-21) 2)CARE BBB+ / CARE A2 (CW with Developing Implications) (03-Sep-20)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST*	-	-	-	1)CARE BBB+ / CARE A2 (RWD) (27-Dec-22) 2)CARE BBB+ / CARE A2 (CW with Developing Implications) (29-Sep-22)	1)CARE BBB+ / CARE A2 (CW with Developing Implications) (22-Nov-21) 2)CARE BBB+; Stable / CARE A2 (01-Nov-21)	1)CARE BBB+; Stable / CARE A2 (08-Jan-21) 2)CARE BBB+ / CARE A2 (CW with Developing Implications) (03-Sep-20)
4	Non-fund-based - LT/ ST-BG/LC	LT/ST*	83.50	CARE BBB+; Stable / CARE A2				
5	Fund-based - LT/ ST-Working capital limits	LT/ST*	10.50	CARE BBB+; Stable / CARE A2				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT/ ST-Working capital limits	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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