

Semac Consultants Limited

June 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	94.00	CARE BBB; Negative / CARE A3+	Revised from CARE BBB+; Stable / CARE A2

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Semac Consultants Limited (SCL) factors in the weaker-than-expected operational performance in FY24 (refers to April 01 to March 31) marked by a sharp moderation in total operating income (TOI) and operating losses reported by the company in FY24, primarily considering slowdown in execution of the current orderbook, and moderate orderbook position.

Ratings continue to derive strength from the company's long track record in Engineering design and design build segment, promoters' vast experience in the project management services and reputed clientele, a healthy capital structure marked by low overall gearing, and adequate liquidity position.

However, ratings are constrained by moderation in scale of operations, highly competitive nature of construction industry, and cyclicity associated with the operations.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Improving scale of operations to above ₹350 crore while maintaining profit before interest, lease rentals, depreciation and taxation (PBILDT) margins above 6%.
- Improving liquidity position.

Negative factors

- Further slowdown and degrowth in the orderbook position impacting the company's business risk profile.
- Continued operating losses impacting the liquidity position.

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

Outlook: Negative

The outlook is 'Negative' considering the expectation of subdued operational performance in the medium term impacted by the lower project execution and moderate order book position. The outlook may be revised to 'Stable' in case the company is able to ramp-up its revenue through faster execution of the current projects and grow its order book position.

Detailed description of key rating drivers:

Key strengths

Established track record of operations and vast experience of 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, and a team of senior experienced professionals, having more than 20 years of experience in this field. The company operates through two divisions- Design (architectural design services) and Design-Build (where along with architectural design and engineering services, the company 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, and office space, among others.

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

Diversified and reputed clientele

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. 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, among others. SCL's orderbook is diversified across various sectors such as automobile, auto ancillary, fast moving consumer good (FMCG), real estate, data warehousing, chemicals, and metals, among others. The company's unexecuted orderbook stood at approximately ₹300 crore as on March 31, 2024.

Capital structure continued to be satisfactory

The company's capital structure moderated y-o-y, though continues to be satisfactory marked by overall gearing of 0.22x as on March 31, 2024 (0.05x as on March 31, 2023). Total debt outstanding (on consolidated basis) increased as on March 31, 2024, and stood at ₹19.23 crore (FY23: ₹5.62 crore). The increase in total debt was primarily due to increased working capital borrowings of ₹14.70 crore. CARE Ratings observes, in the absence of any capital expenditure plans and moderate working capital requirements, capital structure is expected to remain comfortable going forward.

Key weaknesses**Operating loss in FY24**

The company's TOI sharply moderated and stood at ₹127.49 crore in FY24 from ₹325.42 crore in FY23. The moderation in revenue is largely attributed to slowdown in orderbook execution and higher fixed costs incurred which also resulted in the company reporting PBILDT loss of ₹29 crore in FY24 as against the profit of ₹26.81 crore in FY23. Despite a satisfactory orderbook position, the execution was lower than expected owing to various reasons including higher rains in H2FY22 and delay from subcontractors among others, which led to operating losses in Q3FY24 and Q4FY24. Majority of the ongoing projects were initiated in FY24 and are in the initial phase of execution wherein it requires higher time to execute the foundation work. The faster execution of the ongoing projects and sustained growth in the orderbook position to report healthy PBILDT margins shall be a key rating monitorable.

Intensely competitive and cyclicity in civil construction industry

There are numerous fragmented and unorganised players operating in the industry which makes the civil construction space highly competitive limiting the pricing flexibility of the industry participants. While the competitive nature of 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 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 company's revenue and profitability.

Liquidity: Adequate

The company's liquidity is adequate despite its weak operating performance in FY24. The company had enhanced its fund-based working capital limit from ₹10.50 crore to ₹24 crore in FY24, the utilisation of which stood at approximately 50% in the past 12 months ending May 2024. The company has adequate buffer in its working capital limits and does not have any long-term debt obligations. The company is in process of raising ₹49.50 core via rights issue to eligible shareholders which shall aid in strengthening the company's liquidity. SCL executes its projects through subcontractors, thereby operating on an asset light model resulting in low working capital requirement. SCL had fee cash and a bank balance of ₹7.16 crore as on March 31, 2024, and lien marked fixed deposits of ₹34 crore for the bank guarantees.

Applicable criteria[Consolidation](#)[Definition of Default](#)[Liquidity Analysis of Non-financial sector entities](#)[Rating Outlook and Rating Watch](#)[Financial Ratios – Non financial Sector](#)[Construction](#)[Short Term Instruments](#)

About company and industry

Industry classification

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

SCL (erstwhile REL) was incorporated 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)	March 31, 2024 (A)
Total operating income	181.32	79.86	325.42	127.49
PBILDT	17.11	(0.38)	26.81	(29.05)
PAT	13.12	2.57	19.27	(31.89)
Overall gearing (times)	0.18	0.01	0.05	0.22
Interest coverage (times)	3.12	(0.40)	21.34	(15.96)

A: Audited; Note: 'the above results are latest financial results available', *Restated

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

Brief Financials (₹ crore) (Standalone)	March 31, 2022 (A)	March 31, 2022 (A)*	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	181.32	61.17	305.41	110.51
PBILDT	17.11	2.65	27.37	(31.11)
PAT	13.12	1.64	16.67	(33.16)
Overall gearing (times)	0.18	0.01	0.05	0.27
Interest coverage (times)	3.12	2.85	21.89	(17.09)

A: Audited; Note: 'the above results are latest financial results available', *Restated

Note: The figure for year ending March 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: 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

List of entities consolidated: Annexure-6

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/ ST-Working capital limits		-	-	-	10.50	CARE BBB; Negative / CARE A3+
Non-fund-based - LT/ ST-BG/LC		-	-	-	83.50	CARE BBB; Negative / CARE A3+

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT- Cash credit	LT	-	-	-	1)Withdrawn (04-Dec-23)	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)
2	Fund-based - LT/ ST-Working capital limits	LT/ST	-	-	-	1)Withdrawn (04-Dec-23)	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)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	-	-	-	1)Withdrawn (04-Dec-23)	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)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	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
4	Non-fund-based - LT/ ST-BG/LC	LT/ST	83.50	CARE BBB; Negative / CARE A3+	-	1)CARE BBB+; Stable / CARE A2 (04-Dec-23)	-	-
5	Fund-based - LT/ ST-Working capital limits	LT/ST	10.50	CARE BBB; Negative / CARE A3+	-	1)CARE BBB+; Stable / CARE A2 (04-Dec-23)	-	-

LT: Long term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of various instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Semac and Partners LLC	Full	Operational and financial linkages

Note on complexity levels of 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:

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