

Swadeshi Civil Infrastructure Private Limited

October 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.00 (Reduced from 40.00)	CARE BBB; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE BB+; Stable
Long Term / Short Term Bank Facilities	230.00 (Enhanced from 123.59)	CARE BBB; Stable / CARE A3+	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE BB+; Stable / CARE A4+
Short Term Bank Facilities	-	-	Withdrawn*

Details of instruments/facilities in Annexure-1.

*Withdrawn since bank facilities are surrendered/repaid.

In the absence of minimum information required for the purpose of rating, CARE Ratings Limited was unable to express an opinion on the ratings of Swadeshi Civil Infrastructure Private Limited and in line with the extant SEBI guidelines, CARE Ratings Limited downgraded the ratings of bank facilities of the company to 'CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING'. However, the company has now submitted the requisite information to CARE Ratings Limited. CARE Ratings Limited has carried out a full review of the ratings and the ratings now stand at 'CARE BBB; Stable / CARE A3+'.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Swadeshi Civil Infrastructure Private Limited (SCIPL) derive strength from long track record of the promoters in the construction industry, moderate order book position, comfortable financial risk profile as reflected by comfortable gearing and other debt protection metric and comfortable liquidity position as reflected by moderate operating cycle.

The ratings, however, remain constrained due to modest scale of operations, order book concentration, fragmented nature of construction sector with tender-based nature of operations and execution challenges.

CARE has also withdrawn short term ratings assigned to Bank Overdraft. The withdrawal is based on the 'No Dues Certificate' received from the ICICI bank that have extended the facilities rated by CARE.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total operating income above ~500 crore with PBILDT margin above 8% on a sustained basis.
- Improvement in GCA days to below 200 days

Negative factors

- Decline in PBILDT margins to below 4% on a sustained basis
- Deterioration in the capital structure as marked by overall gearing ratio above 1.00x on sustained basis

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE's opinion that the company will continue to benefit from its experienced promoter and moderate order book position.

Detailed description of key rating drivers:

Key strengths

Long track record of the promoters in the construction industry

Swadeshi Civil Infrastructure Pvt Ltd (SCIPL) was incorporated in 2008, promoted by Mr. Ram Avtar and Mr. Ankit Goel. The company is engaged in civil construction, mainly for industrial buildings. The promoter, Mr. Ram Avtar Goel is a post graduate in

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

commerce in 1977, and possesses vast experience of about 40 years in the field of civil construction. He is also the Chairman of Builders Association of India. Mr. Ankit Goel is B.Arch by qualification and is having around a decade of experience in the same line of business. SCIPL undertakes projects of construction and expansion of industrial buildings and other related civil works at various locations all over India.

Moderate order book position

The company has an unexecuted order book position of Rs.1056.55 crore as on July 29, 2024 representing 2.61x of the total operating income of FY24. Over the years, the company has built strong relationship with renowned government agencies including Central Public work department (CPWD), Public work Department (PWD), HSCC (India)Ltd, and considering the satisfactory work, it has managed to get repeat orders from its clients.

Comfortable capital structure and moderate debt protection metrics

The overall gearing including mobilization advances stood at 0.27x as on March 31, 2024(Prov.) (PY: 0.18x). The moderation was mainly on account of increase in the mobilization advances and unsecured loans received by the company. SCIPL receives mobilization advance from its clients to the tune of 10% of the total project cost which provides the necessary liquidity for early mobilization of the sites. The company had mobilization advances of Rs.29.41 crore as on March 31, 2024(Prov.) and secured advances of Rs.7.98 crore. USL of the company increased from Rs.0.49 crore in FY23 to Rs.11.71 crore in FY24 (Prov.).

Further, the coverage indicators marked by interest coverage and total debt to GCA stood moderate in FY24 at 2.97x (PY:6.18x) and 2.84x (PY: 1.37x) respectively on account of increased external borrowings of the company. The moderation in interest coverage was largely due to lower profitability coupled with higher interest expense.

Moderate profitability margins

The profitability margins i.e. PBILDT margins and PAT margins moderated to 4.96% in FY24(Prov.) (PY: 5.59%) and 3.63% in FY24(Prov.) (PY: 4.18%) respectively. This moderation was primarily due to delays in revenue booking while fixed costs, including Employee Benefit expenses, remained constant. Additionally, the company's profitability was impacted by high payouts to promoters, with salaries of Rs. 9.60 crore paid to directors and incentives of Rs. 8.55 crore in both FY23 and FY24.

However, the PBILDT margin improved to 8.02% in the first five months of FY25. Moreover, the contracts with tenor of more than 12 months have built-in escalation clauses for any fluctuations in the raw material prices and labour cost which allows it to pass on any abnormal increase in input prices. Therefore, the profit margins are likely to be less affected due to raw material price fluctuations.

Comfortable liquidity position as reflected by moderate operating cycle

The company is efficiently managing its operations reflected by operating cycle of 63 days for FY24 as against 49 days for FY23. Though, elongation in operating cycle was mainly due to the increase in collection period as compared to FY23. Most of the orders are from government agencies particularly PWD, CPWD, AAI etc which releases payments within 2 months from the date of billing. SCIPL avails average credit period of 2-3 months from its suppliers due to its established relationship with the same resulting in average creditor days of 48 days for FY24.

The working capital requirements of the company have predominantly been met out of the mobilization advance received from government authorities, internal accruals and working capital loans from banks.

Key weaknesses

Modest scale of operations

The scale of operations of the company stood modest as marked by total operating income and gross cash accruals of Rs. 405.47 crore and Rs.17.28 crore, respectively, during FY24 (Prov. results: refers to the period April 01 to March 31). The company has witnessed slight moderation in the scale of operations (PY: Rs.462.72 crore) on account of minor delay in revenue booking, which has consequently been recorded in the first quarter of the next financial year. As of July 24, the company has already booked a net revenue of Rs. 179.87 crores, compared to Rs. 27.57 crores in net revenue up to July 23. The total revenue earned moderated by about ~12% on a y-o-y basis in FY24 over FY23. The tangible network remained moderate at Rs.182.39 crore as on March 31, 2024. The modest scale limits the company's financial flexibility in times of stress and deprives it from scale benefits.

Order book concentration and high dependence on few clients

The order book is geographically concentrated with majority of the orders from Delhi NCR. Further, there is client concentration also with 43.33% of the orders from AAI & HITES out of the total unexecuted order book. Though comfort can be derived from the ability of company to complete the projects within the time and cost estimates. However, in the long run the company needs to diversify its order book to reduce the dependence on any particular contract.

Fragmented nature of construction sector with tender-based nature of operations and execution challenges

The infrastructure sector in India is highly fragmented with a large number of small and mid-sized players. This coupled with tendering process in order procurement results in intense competition within the industry, fluctuating revenues and restrictions in profitability. Additionally, continued increase in execution challenges including delays in land acquisition, regulatory clearances, aggressive bidding, interest rate risk and delays in project due to environmental clearance are other external factors that affect the credit profile of industry players. All these are tender-based and the revenues are dependent on the ability of the company to bid successfully for these tenders. Profitability margins come under pressure because of competitive nature of the industry. Also, there are numerous fragmented & unorganized players operating in the segment which makes the civil construction space highly competitive. However, the promoter's long industry experience of nearly three decades mitigates this risk to some extent.

Liquidity: Adequate

Liquidity position of the company is adequate as company does not have any term debt repayment obligation in FY25 against the envisaged gross cash accruals of approximately Rs.29.13 crore. The current and quick ratio stood 1.52x and 1.27x as on March 31, 2024 (Prov). The average utilisation of the working capital limits remained comfortable at 51.77% in the twelve months ended July 2024, leading to a sufficient liquidity cushion.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Construction](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

New Delhi- based, Swadeshi Civil Infrastructure Pvt Ltd (SCIPL) (CIN- U45400DL2008PTC175221) was incorporated in 2008 and is currently managed by Mr.Ram Avtar and Mr.Ankit Goel. The company is engaged in civil construction, mainly for industrial buildings. It undertakes projects of construction and expansion of industrial buildings and other related civil works at various locations all over India. The major contracts are allotted to it by government agencies including Central Public work department (CPWD), Public work Department (PWD), HSCC (India)Ltd, and SCIPL is a registered class 'A' contractor with PWD and super class 1 contractor with CPWD which enables SCIPL to participate in higher value contracts floated by the various government entities.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)	Q1FY25 (UA)
Total operating income	462.72	405.47	176.57
PBILDT	25.86	20.12	14.43
PAT	19.33	14.70	Not Available
Overall gearing (times)	0.18	0.27	Not Available
Interest coverage (times)	6.18	2.97	6.19

A: Audited Prov.: Provisional UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE BBB; Stable
Fund-based - ST-Bank Overdraft		-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	230.00	CARE BBB; Stable / 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	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	230.00	CARE BBB; Stable / CARE A3+	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (26-Mar-24)	1)CARE BBB; Stable / CARE A3+ (01-Mar-23)	1)CARE BBB; Stable / CARE A3+ (27-Jan-22) 2)CARE BBB; Stable / CARE A3+ (18-Nov-21)
2	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB; Stable	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (26-Mar-24)	1)CARE BBB; Stable (01-Mar-23)	1)CARE BBB; Stable (27-Jan-22) 2)CARE BBB; Stable / CARE A3+ (18-Nov-21)
3	Fund-based - ST-Bank Overdraft	ST	-	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (26-Mar-24)	1)CARE A3+ (01-Mar-23)	1)CARE A3+ (27-Jan-22)

*Issuer did not cooperate; based on best available information.

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

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

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About us:

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