

Sri Buddha Engineering and Constructions Private Limited

April 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	35.00	CARE BB; Positive	Assigned
Long Term Bank Facilities	119.35 (Enhanced from 35.35)	CARE BB; Positive	Upgraded from CARE BB-; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in rating assigned to the bank facilities of Sri Buddha Engineering and Constructions Private Limited (SBEC) considers improvement in financial performance in 11MFY25 (Unaudited; FY refers to the period April 01 to March 31) and strong order book position as of February 28, 2025, led by receipt of high value order from Western Coalfields Limited (WCL) for removal of overburden and extraction of coal with an execution timeline of 63 months resulting in strengthening of SBEC's order book position, providing long term revenue visibility.

Further, SBEC has availed equipment loans to execute the new orders and additional working capital limits during current fiscal resulted in increased in debt levels. Additionally, promoters infused funds in the form of equity of Rs. 10.76 crores as on February 29, 2025. Despite the infusion, financial risk profile remained moderate on account of relatively low net worth level. Furthermore, as on March 15, 2025, the promoters further enhanced equity by Rs. 7.34 crores. By end of March 31, 2025, total equity is expected to be Rs. 30 crore which is likely to result in improved financial risk profile as on account closing date and coming years.

The ratings continue to remain constrained by small scale of operations despite improvement, leveraged capital structure with moderate debt coverage indicators, geographical concentration risk and fragmented nature of construction sector with tender based nature of operations and execution challenges.

However, the ratings draw comfort from relatively experienced promoters, comfortable profitability margins in FY24 (Audited) and 11MFY25 (Unaudited), improvement in operating cycle and stable industry outlook.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations to above Rs. 200 crore
- Overall gearing ratio improved to below 3.00x on sustained basis
- TDGCA below 3.00x on sustained basis

Negative factors

- Inability secure orders resulted in revenue declined below Rs. 100 crores with PBILDT margin below 8% on sustained basis
- Overall gearing ratio deteriorated to above 3.50x, going forward

Analytical approach: Standalone

Outlook: Positive. The rating outlook is revised from 'Stable' to 'Positive' on the expectation of improvement in financial profile of the company given the order book in hand. Further, financial risk profile is expected to improve with increased net worth levels led by higher generation of profits from new order and infusion of equity. The outlook may be revised to stable in case the company is not able to demonstrate the execution of order as envisaged leading to moderation in financial profile.

Detailed description of key rating drivers:

Key weaknesses

Geographical concentration risk: SBEC's clients are all concentrated in 2 states, that is, Maharashtra and Odisha exposing the company to geographical concentration risks. The company's performance is heavily tied to the economic conditions of those two states. If either state experiences an economic downturn, recession, or a slowdown in construction activities, it could significantly impact the company's revenue and profitability. Any adverse regulatory changes in either state could pose significant challenges, leading to increased costs or project delays. To mitigate these risks, the company is trying to expand its operations to additional regions, diversifying its client base across various industries. Diversification will reduce regional economic and regulatory vulnerabilities, enhancing the company's stability and growth potential.

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

Fragmented nature of construction sector with tender-based nature of operations and execution challenges: The infrastructure sector in India is highly fragmented and competitive with many 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

Leveraged capital structure with moderate debt coverage indicators: The capital structure of the company consists of term loans, working capital borrowing and unsecured loans from the promoters. The overall gearing ratio of the company stood moderate at 2.56x as on March 31, 2024, and same has been further deteriorated to 4.27x as of December 31, 2024. This is primarily on account of additional construction equipment loans for about Rs. 95 crores and enhanced working capital limits by Rs. 16.50 crores availed during current fiscal, to execute the new orders resulted in high debt levels. Further, Net worth of the company improved to Rs. 32.65 crores (FY24: Rs. 10.81 crores) at the back of equity of infusion of promoters to meet the capex and working capital requirements. Despite, increase in net worth levels, significant increase in debt levels with resulted in leveraged financial risk profile as on February 28, 2025.

Additionally, In the month of March 2025, SBEC has already infused equity of about Rs. 7.34 crores and proposing to maintain equity capital of about Rs. 30 crores by end of FY25, likely to result in improved financial risk profile.

The debt coverage indicator marked by PBILDT/ Interest coverage remains comfortable at 6.81x whereas TDGCA remained high at 6.42x in 11MFY25.

Key strengths

Healthy order book position providing long term revenue visibility: As on February 28, 2025, SBEC has orderbook of Rs. 1951 crores which provides long term revenue visibility. The work order consists of order received from Western coal fields for amount Rs. 1900 crores in the month of December 2024 for Over burden removal and extraction of coal with execution timeline of 63 months providing strengthening the order book position. To support the increased orders, company has invested in fixed assets in current fiscal which was funded through debt and infusion of funds by promoters. SBEC started executing the orders of Western coal fields and recorded revenue of about Rs. 67 crores by end of February 2025.

Improved scale of operations with comfortable profitability margins in FY24 and 11MFY25: Revenue of the company witnessed growth by about 2.19x i.e., to 79.22 crores from Rs. 24.81 crores on account of high value orders added to the order book, faster execution of bagged orders and supply of construction material to reputed clients such as Ultratech cements, Megha Engineering, PSK Infra etc. Revenue contribution from sales of these material stood at about 43% in FY24.

In line with TOI, PBILDT and PAT levels of the company improved to Rs.9.30 crores and Rs.4.45 crores respectively. PBILDT and PAT margins of the company stood comfortable at 11.74% and 5.62% respectively.

Further, with addition of new orders and faster execution, in 11MFY25, company reported significant increase in TOI to Rs. 158.70 crores which is about 180% of FY24 financial performance on annualized basis. This is primarily on account of faster execution of existing orders and new orders added in the current fiscal. Further, revenue contribution from sale of construction material declined to 20% as the company is mainly concentrating on improving the construction works segment by expanding its market presence. Inline with TOI, PBILDT and PAT margins improved to 19.56% and 8.26% respectively.

Experienced promoters: The company is promoted by Mrs. Kodithem Varalakshmi, Mr. Kodithem Rajasekhar and Mrs. Vannam Sravani. Mrs. Kodithem Varalakshmi is also the proprietor of M/s. Lakshmi Sainath Stone Crushers and Maabagala Transport. She has more than 10 years of experience in this line of business. Mr Koditham Rajasekhar looks after the marketing activities of the company and Mrs Vannam Sravani looks after the day-to-day operation of the company. The family has been in the construction and allied business for more than 2 decades and owns the first stone crusher unit in the Kurnool district. The promoters of the company have established their presence in the industry which helps the company to get more orders.

Improvement in operating cycle: The operating cycle of the company has significantly improved to 88 days in FY24 as compared to 135 days in FY23. The company has managed to reduce its average inventory period to 49 days as compared to 148 days in FY24. As of March 31, 2024, the inventory level in absolute terms remained almost same as that of previous year closing balance despite increase in turnover in FY24 which had resulted in reduction in inventory days.

During current fiscal, SBEC enhanced its working capital limits to Rs. 21.50 crores. The working capital utilisation remains high for with an average maximum utilisation of 98% and average utilisation of 78% for last 12 months ending January 2025. Furthermore, SBEC get payments for high revenue booking order i.e., of WCL from current fiscal within 7 days from the date of date of billing resulted in efficient working capital management.

Stable industry outlook: The construction industry is growing at a compound annual growth rate (CAGR) of over 6% and is expected to reach a massive \$1.4 trillion by 2025. Government initiatives like National Infrastructure Pipeline (NIP) with a \$1.4

trillion budget are propelling growth across various sectors like roads, railways, and renewable energy. India's rapid urbanization is a key driver. The government's focus on developing smart cities and tier 2 & 3 cities is creating significant demand for infrastructure development. By 2030, 70% of India's GDP is expected to come from cities, creating a massive demand for housing and infrastructure. This translates to a need for 25 million new mid-end and affordable housing units by 2030 itself. Rapid infrastructure development in India is expected to have a significant positive impact on the construction sector. The increased project volume, demand for building materials and equipment, job creation, and economic benefits all contribute to a thriving construction industry. The confluence of government support, demographic shifts, and a growing economy presents a significant opportunity for companies involved in construction and building material supply.

Liquidity: Stretched.

During 11MFY25, SBEC recorded GCA of Rs. 21.71 crores which is tightly matched with debt repayment obligation of Rs.27.91 crore for next one year. Average of maximum utilisation of working capital limits stood at about 98% over last 12 months ended January 2025. Company has availed additional WC limit of Rs. 16.50 crores in the current fiscal which will provide cushion to meet working capital requirements going forward. Further, promoters infused funds in the form of equity to meet debt repayment/ working capital requirements provide comfort from credit perspective.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction Sector](#)

[Infrastructure Sector Ratings](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Sri Buddha Engineering and Constructions Private Limited (SBEC) was incorporated on August 26, 2019, with a head office in Kurnool, Andhra Pradesh. The company is engaged in the business of construction and supply of construction materials to individuals, businesses, government bodies and non-government organisations (NGOs). The company has a unit located in Gooty, Anantapur, Andhra Pradesh to supply stones in different sizes to road contractors and builders throughout Anantapur and Kurnool district. The company has also entered into quarry sub lease agreement with M/s Lakshmi Sainath Stone Crushers for 10 years from January 27, 2021, to January 27, 2031, for supply of raw materials for stone crushing.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)
Total operating income	24.81	79.22	158.70
PBILDT	1.80	9.30	31.05
PAT	0.89	4.45	13.15
Overall gearing (times)	1.61	2.56	4.27
Interest coverage (times)	6.80	5.05	6.81

A: Audited, 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		-	-	-	21.50	CARE BB; Positive
Fund-based - LT-Term Loan		-	-	December 2029	97.85	CARE BB; Positive
Non-fund-based - LT-Bank Guarantee		-	-	-	35.00	CARE BB; Positive

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-Term Loan	LT	97.85	CARE BB; Positive	1)CARE BB-; Stable (31-Jul-24)	-	-	-
2	Fund-based - LT-Cash Credit	LT	21.50	CARE BB; Positive	1)CARE BB-; Stable (31-Jul-24)	-	-	-
3	Non-fund-based - LT-Bank Guarantee	LT	35.00	CARE BB; Positive	-	-	-	-

LT: Long 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 - LT-Term Loan	Simple
3	Non-fund-based - LT-Bank Guarantee	Simple

Annexure-5: Lender detailsTo 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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