

July 04, 2024

Scr Nirman Private Limited: Ratings removed from Issuer Non-Cooperating category; long-term rating upgraded to [ICRA]BB(Stable); short-term rating reaffirmed and assigned for enhanced amount

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash credit	3.00	3.00	[ICRA]BB (Stable); upgraded from [ICRA] B+ (Stable); ISSUER NOT COOPERATING and removed from Issuer Not Cooperating category
Long-term / Short-term – Non-fund based – Others	7.00	-	-
Long-term / Short-term – Non-fund based – BG/LC	-	24.00	[ICRA]BB (Stable)/ [ICRA] A4; Long-term rating upgraded from [ICRA] B+ (Stable); ISSUER NOT COOPERATING, and removed from Issuer Not Cooperating category and Short-Term rating reaffirmed & removed from Issuer Not Cooperating Category; assigned for enhanced amount
Long-term / Short-term – Proposed non-fund based	-	3.00	[ICRA]BB (Stable)/ [ICRA] A4; Long-term rating upgraded from [ICRA] B+ (Stable); ISSUER NOT COOPERATING, and removed from Issuer Not Cooperating category and Short-Term rating reaffirmed & removed from Issuer Not Cooperating Category; assigned for enhanced amount
Total	10.00	30.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings have been removed from the Issuer Not Cooperating category and the long-term rating has been upgraded and short-term rating has been reaffirmed upon co-operation from the rated entity.

The ratings factor in the established track record of SCR Nirman Private Limited (SCR) in execution of railway works and moderate order book position of Rs. 120.3 crore as on June 26, 2024, translating to 1.6 times of FY2024 revenues, which provides adequate medium-term revenue visibility. The ratings note the satisfactory financial risk profile with TOL/TNW of 0.4 times as on March 31, 2024 and interest cover at 6.0 times in FY2024. ICRA expects the coverage metrics to remain comfortable in the medium term. The ratings also consider the reputed client profile including South Central Railway (SCR) and Rail India Technical and Economic Service (RITES) resulting in low counterparty credit risk.

The ratings are, however, constrained by SCR’s small scale of operations with an operating income of Rs. 76.2 crore in FY2024, which improved from Rs. 58.5 crore in FY2023. The ratings are also constrained by the moderate working capital intensity of 20.8% in FY2024 on account of higher supplier advances and low creditor days. The company has high customer concentration risk with top two customers contributing to 100% of the order book and geographical concentration risk with the entire order book confined to Andhra Pradesh, Telangana and Orissa. ICRA also notes the significant competition from other established players in the construction industry, which restricts growth in revenues and profitability. SCR also has sizeable contingent liabilities in the form of bank guarantees (BG), mainly for contractual performance and raw materials. Any penalty or invocation

of BGs on projects could have a bearing on its liquidity position. Nonetheless, ICRA draws comfort from SCR's long presence in the industry, healthy execution track record and the fact that no guarantees have been invoked in the past.

The Stable outlook on SCR's rating reflects ICRA's opinion that the company will benefit from healthy order book position and it will maintain its execution momentum, along with timely receipt of payments from its key customers.

Key rating drivers and their description

Credit strengths

Experience of promoters in executing railway contract works – SCR was incorporated in 2009. Prior to that, the company operated as a proprietorship. It is promoted by Mr. Chenna Reddy, who has experience of more than four decades in executing the railway projects. The company mainly executes projects for SCR and RITES.

Moderate order book position providing medium-term revenue visibility – The company's order book position stood at ~Rs. 120.0 crore as on June 26, 2024 with OB/OI of 1.6 times of FY2024 revenues. With expected healthy order addition, the order book provides medium-term revenue visibility.

Credit challenges

Small scale of operations – The company's scale of operations remains small, marked by revenues of Rs. 76.2 crore in FY2024, which increased from Rs. 58.5 crore in FY2023. Although SCR's revenues are expected to rise in the medium term, the scale of operations is likely to remain small. Moreover, the operating margins remained modest at ~7%-9% during the last five years.

Moderate working capital intensity – The working capital intensity is moderate marked by NWC/OI of 20.8% in FY2024 owing to high supplier advances and low creditor days. The company requires non-fund based limits for providing performance guarantees. It has Rs. 24.0 crore of limits and has utilised Rs. 14.7 crore as on March 31, 2024. Although SCR is billing and receiving the payments in a timely manner, the ability to secure enhancement in its working capital limits remains the key to support the expected increase in scale of operations.

High client and geographical concentration risks – The entire order book is from SCR and RITES resulting in high client concentration risk. The company derived 100% of revenues from Andhra Pradesh, Telangana and Orissa in FY2024. Going forward, the geographical concentration is expected to remain high in the near term with all three states contributing 100% of the outstanding order book as of May 2024.

Liquidity position: Adequate

SCR's liquidity position remains adequate with free cash and balances of Rs. 0.73 crore as on March 31, 2024 and cushion in working capital limits. The company does not have any capex plans in the medium term and minimal debt obligations in the near term supporting its liquidity position.

Rating sensitivities

Positive factors – The ratings could be upgraded if SCR demonstrates a significant improvement in revenues, aided by timely execution of orders, along with improvement in operating margins and working capital intensity resulting in improved liquidity position.

Negative factors – Pressure on the ratings may arise if SCR's scale of operations declines due to significant delays in execution and/or decline in profitability margins and/or deterioration in the working capital cycle, adversely impacting its liquidity position and debt protection metrics.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

SCR Nirman Private Limited (SCR) was incorporated in 2009 by Mr. S. Chenna Reddy together with his family members. The company's constitution was changed from proprietorship to private limited entity in 2009. It is a recognised contractor for the Indian Railways in the south zone and is involved in laying railway tracks as well as performing other associated works like earthwork formation, supplying ballast, constructing minor and major railway bridges.

Key financial indicators

Standalone	FY2023	FY2024*
Operating income	58.5	76.2
PAT	1.0	4.3
OPBDIT/OI	7.1%	8.0%
PAT/OI	1.7%	5.7%
Total outside liabilities/Tangible net worth (times)	0.8	0.4
Total debt/OPBDIT (times)	2.2	0.7
Interest coverage (times)	3.2	6.0

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
			July 04, 2024	19-Dec-23	28-Oct-22	16-Sep-21
1 Cash Credit	Long term	3.00	[ICRA]BB (Stable)	[ICRA]B+(Stable) ISSUER NOT COOPERATING	[ICRA]B+(Stable) ISSUER NOT COOPERATING	[ICRA]B+(Stable) ISSUER NOT COOPERATING
2 Non-fund based – Others	Long term and short term	0.00	-	[ICRA]B+(Stable) ISSUER NOT COOPERATING/ [ICRA]A4; ISSUER NOT COOPERATING	[ICRA]B+(Stable) ISSUER NOT COOPERATING/ [ICRA]A4; ISSUER NOT COOPERATING	[ICRA]B+(Stable) ISSUER NOT COOPERATING/ [ICRA]A4; ISSUER NOT COOPERATING
2 Non-fund based – BG/LC	Long term and short term	24.00	[ICRA]BB (Stable)/ [ICRA]A4	-	-	-

2	Proposed non-fund based	Long term and short term	3.00	[ICRA]BB (Stable)/ [ICRA]A4	-	-	-
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Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Long-term / Short-term – Non-fund based – BG/LC	Very Simple
Long-term / Short-term – Proposed – Non-fund based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based Cash credit –	NA	NA	NA	3.00	[ICRA]BB(Stable)
NA	Non-fund based – BG/LC	NA	NA	NA	24.00	[ICRA]BB(Stable)/ [ICRA]A4
NA	Proposed non-fund based	NA	NA	NA	3.00	[ICRA]BB(Stable)/ [ICRA]A4

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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