September 26, 2024

SAM (India) Builtwell Pvt. Ltd.: Ratings reaffirmed and rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short-term – Non-fund based – Bank guarantee	745.00	1,031.00	[ICRA]A (Stable)/ [ICRA]A1; reaffirmed and assigned for the enhanced amount
Long-term/ Short-term – Fund-based – Others	5.00	69.00	[ICRA]A (Stable)/ [ICRA]A1; reaffirmed and assigned for the enhanced amount
Total	**750.00**	**1,100.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation for Sam (India) Builtwell Pvt. Ltd. (SIBPL) factors in its strong pending order book (OB) of Rs. 6,705.1 crore as on June 30, 2024, which provides a healthy medium-term revenue visibility with average execution period of around 2.5 – 3.0 years. SIBPL was awarded sizeable orders worth Rs. 5,900 crore in FY2024, and its outstanding OB translates to 4.8 times of its operating income (OI) in FY2024. The ratings reflect SIBPL's healthy financial profile, supported by low leverage (TOL/TNW of 0.7 times), comfortable coverage metrics (interest cover of above 10 times), efficient working capital management (NWC/OI at 4%) yielding a strong liquidity position (with free cash and investments[1] and of Rs. 84 crore) as on March 31, 2024. The ratings take cognisance of the extensive experience of SIBPL's promoters in the construction sector, and company's established track record in executing metro and building construction projects for reputed customers, consisting of Central and state government entities.

SIBPL witnessed a marginal year-o-year (YoY) moderation of 3% in its OI to ~Rs. 1,402 crore, owing to delays in site availability and other awarding authority related concerns, beyond its control. ICRA notes that the company's revenues have remained rangebound at around Rs. 1,400 crore in the last three years and its ability to improve upon the same on a sustainable basis remains a key monitorable. Its OI is likely to witness a 10-12% YoY growth in FY2025, supported by ramp-up in new project execution. In absence of any major capex or investment plans, the company's leverage and debt coverage indicators are likely to remain comfortable, with interest coverage ratio at over 10 times and TOL/TNW below 1.0 times over the medium term. The working capital intensity (NWC/OI) is also expected to remain comfortable, given the reputed clientele, which would support timely realisation of receivables, and healthy credit period from the suppliers.

The ratings are, however, constrained by the heightened execution risks, with ~90% of the OB (by value) in nascent stages (less than 10% executed). A ramp-up in execution will be crucial for completing the ongoing and new projects within the scheduled timelines. Nevertheless, ICRA draws comfort from its long experience and track record of execution, which mitigates the risk to an extent. Despite the healthy improvement in operating profitability in FY2024 (8.8%, +80bps from 8.0% in FY2023) on the back of execution of high margin projects nearing completion and continuous cost prudence adopted by the company, it continues to remain modest (compared to peers) owing to heightened competition in the building segment. It is also exposed to the risks inherent in the construction sector, including sizeable contingent liabilities in the form of bank guarantees. Nonetheless, ICRA favourably considers SIBPL's healthy execution track record, with no crystallisation of guarantees in the past.

[1] Investments in financial instruments like fixed deposits (FDs), mutual funds; excludes investment in subsidiaries/associates

The Stable outlook on the long-term rating reflects ICRA's opinion that SIBPL will witness a 10-12% annual growth in revenues during FY2025 and 20-25% in FY2026, while maintaining OBITDA margins of 8%-8.5%, comfortable leverage level and strong liquidity profile.

Key rating drivers and their description

Credit strengths

Healthy financial profile – SIBPL's financial risk profile remains comfortable. Given the healthy working capital cycle (NWC/OI <5% in the last 4 of 5 years, except for FY2022), the company's reliance on outside funds remains low and the coverage indicators remain healthy, as evident from TOL/TNW and interest cover at 0.7 times (FY2023: 0.9 times) and 21.3 times (FY2023: 10.5 times), respectively, as on March 31, 2024. This is further supported by a strong liquidity position. The management has no plans for any major debt-funded capex/investments and hence the leverage (TOL/TNW) is likely to remain below 1.0 times in the medium term.

Sizeable orderbook provide revenue visibility – Supported by robust order inflow in FY2024 (~Rs. 5,900 crore), SIBPL had pending orders aggregating ~Rs. 6,705.1 crore as on June 30, 2024, which was ~4.8 times of its OI in FY2024. The current order book, spread across projects from multiple clients, provides healthy medium-term revenue visibility. The top three clients account for about 67% of the order book, whereas the top three projects constitute 41% of the order book. The order book diversification improved with the recent robust order inflow, leading to reduced geographical and customer-wise concentration. The company's revenues remained rangebound at around Rs. 1,400 crore over the last three years and its ability to improve upon the same, on a sustainable basis, remains a key monitorable. ICRA expects the revenues to witness a 10-12% YoY growth in FY2025, aided by ramp-up in new project execution.

Long experience and execution track record with strong clientele – SIBPL has extensive experience and execution track record of over two decades in building construction work and civil work for metro projects. It has completed civil works for Delhi Metro Rail Corporation (DMRC) and Lucknow Metro Rail Corporation (LMRC) in the past and is currently executing projects with the metro authorities of Delhi (DMRC), Uttar Pradesh (UPMRCL), Jaipur (JMRCL) Chennai Metro (order achieved from RVNL). Besides, it has projects under execution from other Central Government departments and public sector entities such as the NBCC (India) Limited (NBCC), Central Public Works Department (CPWD), RITES Limited, Military Engineer Services (MES), etc. SIBPL also has empanelment with the Defence Research and Development Organisation (DRDO).

Credit challenges

High execution and segment concentration risk – SIBPL has a segmentally concentrated presence, with metros (~60% as of June 2024) and buildings (~40%) being the major areas of operations. The company witnessed robust order inflows in FY2024 and has recently commenced or is yet to commence execution in several of them. Around 90% of the unexecuted order book is in the nascent stages with execution of less than 10% as on June 30, 2024. The availability of the requisite approvals remains crucial for timely ramp-up in execution as well as completion of the orders in hand within the timeline. Further, SIBPL has been undertaking some relatively complex projects involving scope of underground and elevated projects, which could be prone to higher execution challenges. However, the company's demonstrated project execution capabilities in metro station works, as well as healthy billing in FY2024, mitigates the risk to an extent.

Modest operating profitability – The company's operating profitability remains lower due to stiff competition in the building segment. However, the return on capital employed (RoCE) remains comfortable, supported by healthy asset turnover and modest working capital requirements.

Sector-related risks including sizeable non-fund-based exposure – The heightened competition for the Central Government contracts, could exert pressure on the profitability of the contractors. Further, SIBPL has sizeable non-fund based exposure

(~Rs. 629.3 crore as on May 31, 2024). However, ICRA takes comfort from its healthy execution track record and no crystallisation of guarantees in the past.

Liquidity position: Strong

SIBPL's liquidity position is expected to remain strong, with sufficient cash flow from operations to meet its entire financial obligations. The company's liquidity position is supported by its unencumbered cash and bank balance of Rs. 84.1 crore as on March 31, 2024 and healthy cushion in unutilised fund-based limits (including sub-limit of non-fund based limits), compared to regular capex plans and nil long-term debt servicing obligations. Further, it has the option of availing unutilised mobilisation advance against its contracts, in case of any exigencies.

Rating sensitivities

Positive factors – Significant increase in scale of operations, along with improvement in operating profitability, while maintaining a strong liquidity position and healthy working capital intensity, may trigger an improvement in ratings.

Negative factors – Any deterioration in order book position that affects revenue visibility, or significant decline in OI or profitability, or sizeable debt-funded capital expenditure or investment in development project or increase in working capital intensity impacting its liquidity and credit metrics may trigger a rating downgrade. Specific credit metrics for a downgrade include TOL/TNW higher than 1.2 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology] [Rating Methodology for Construction Entities]
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of the company.

About the company

SAM (India) Builtwell Private Limited (SIBPL) is a construction company primarily involved in civil construction works for Government entities like DMRC, UPMRCL, Madhya Pradesh Metro Rail Corporation Limited (MPMRCL), NBCC (India) Ltd., RITES Ltd, Military Engineer Services (MES), Central Public Works Department (CPWD), among others. SIBPL has vast experience in executing infrastructure works for DMRC's metro projects. In the past, it has executed roads construction projects from the National Highways Authority of India (NHAI). Further, the company has undertaken construction of office buildings, school buildings, staff quarters, metro stations, metro depots, residential and commercial complexes, integrated townships, hostels, etc, for various clients in public and private sectors. SIBPL is also enlisted as a SS class contractor by MES.

Key financial indicators (audited)

SIBPL Standalone	FY2023	FY2024
Operating income	1,438.7	1,401.6
PAT	74.5	76.6
OPBDIT/OI	8.0%	8.8%
PAT/OI	5.2%	5.5%
Total outside liabilities/Tangible net worth (times)	0.9	0.7
Total debt/OPBDIT (times)	0.3	0.5
Interest coverage (times)	10.5	21.3

Source: SIBPL, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Sep 26, 2024	Date	Rating	Date	Rating	Date	Rating
Non-fund based – Others	Long-term/ Short-term	1031.00	[ICRA]A (Stable)/ [ICRA]A1	22-SEP-2023	[ICRA]A (Stable)/ [ICRA]A1	24-JUN-2022	[ICRA]A (Stable)/ [ICRA]A2+	06-AUG-2021	[ICRA]A- (Positive)/ [ICRA]A2+
				-	-	-	-	15-SEP-2021	[ICRA]A- (Positive)/ [ICRA]A2+
Fund-based - Others	Long-term/ Short-term	69.00	[ICRA]A (Stable)/ [ICRA]A1	22-SEP-2023	[ICRA]A (Stable)/ [ICRA]A1	24-JUN-2022	[ICRA]A (Stable)/ [ICRA]A2+	-	-
Issuer rating	Long-term	-	-	-	-	-	-	06-AUG-2021	[ICRA]A- (Positive); rating put on notice of withdrawal
								15-SEP-2021	[ICRA]A- (Positive); Rating Withdrawn

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term / Short-term – Non-fund based – Bank guarantee	Very Simple
Long-term / Short-term – Fund-based – Others	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	**Long-term / Short-term – Non-fund based – Bank guarantee**	NA	NA	NA	1,031.00	[ICRA]A (Stable)/ [ICRA]A1
NA	**Long-term / Short-term – Fund based – Others**	NA	NA	NA	69.00	[ICRA]A (Stable)/ [ICRA]A1

Source: SIBPL, ICRA Research

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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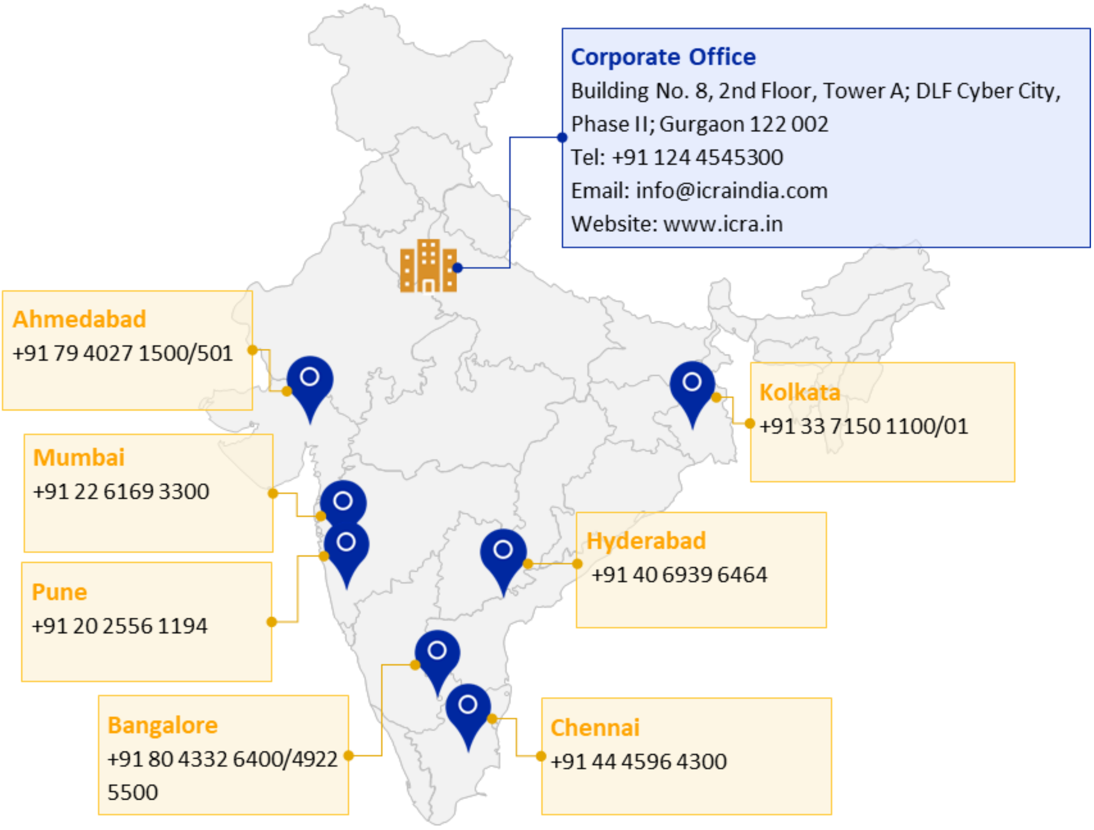

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