

June 24, 2022^(Revised)

SAM (India) Builtwell Pvt. Ltd.: Long-term rating upgraded to [ICRA]A(Stable); short-term rating reaffirmed at [ICRA]A2+; outlook revised to Stable; 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	600.00	745.00	[ICRA]A(Stable)/[ICRA]A2+; long-term rating upgraded from [ICRA]A- to [ICRA]A; short-term rating reaffirmed; outlook revised to Stable from Positive; Rating of [ICRA]A(Stable)/[ICRA]A2+ assigned for enhanced limits
Long-term / Short-term – Fund Based	-	5.00	[ICRA]A(Stable)/[ICRA]A2+; assigned
Total	600.00	750.00	

*Instrument details are provided in Annexure-1

Rationale

The long-term rating upgrade of Sam (India) Builtwell Pvt. Ltd. (SIBPL) takes into account the improved scale of its operations and profitability over the last two years, with a CAGR of 17% in operating income (OI), translating into a healthy financial risk profile as reflected in low leverage (TOL/TNW of 0.7 times) and debt coverage ratios (interest cover of 14.4 times) in FY2022. In absence of any major capex or investment plans, the company's debt coverage indicators are likely to remain comfortable going forward. Its OI is estimated to witness substantial growth in FY2023, supported by its healthy order book position. The interest coverage ratio is expected to remain strong at over 12 times and TOL/TNW below 0.8 times over the medium term. The ratings also factor in SIBPL's sizeable order book position of Rs. 3,671 crore as on March 31, 2022 (OB/OI of 2.8 times), which provides adequate medium-term revenue visibility. The ratings derive comfort from the company's favourable working capital cycle in its projects and availability of interest-free mobilisation advances in the ongoing metro projects. This reduces its dependence on external borrowings and supports its liquidity position. The ratings continue to take comfort from SIBPL's long track record in the construction sector, its healthy client profile comprising primarily Central and state Government undertakings.

The ratings are, however, constrained by the execution risks associated with the company's ongoing orders, with work for 58% of the order book remaining in the early stages (less than 20% executed). A ramp-up in execution is crucial for completing the ongoing projects within the scheduled timelines. Further, on a consortium basis, SIBPL has recently secured some relatively complex projects involving underground tunnel work, which could be prone to higher execution challenges. However, ICRA draws comfort from its long experience and track record of execution as well as experience of the consortium partners, which mitigates the risk to an extent. The company's operating profitability remains modest owing to relatively higher share of sub-contracting. The heightened competition in the Central Government-funded contracts, along with the sharp rise in key input materials (viz. steel, cement, etc) has exerted pressure on the profitability of contractors, including SIBPL. 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.

The Stable outlook on the long-term rating indicates ICRA's opinion that SIBPL will continue to maintain the pace of execution and benefit from its adequate order book position, favourable operational track record and healthy financial position.

Key rating drivers and their description

Credit strengths

Long experience and execution track record with strong clientele – SIBPL has a long experience and execution track record of over two decades in executing 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, Uttar Pradesh Metro Rail Corporation Limited (UPMRCL) and Madhya Pradesh. Besides, it has projects under execution from other Central Government departments and strong public sector entities such as the National Capital Region Transport Corporation Ltd. (NCRTC), Central Public Works Department (CPWD), etc. SIBPL also has empanelment with the CPWD, Military Engineer Services (MES) and the Defence Research and Development Organisation (DRDO).

Sizeable orders-in-hand provide adequate revenue visibility – SIBPL reported orders in hand worth Rs. 3,671.1 crore (residual order book) as on March 31, 2022, which is ~2.8 times of its OI in FY2022. The current order book, spread across projects from multiple clients, provides adequate medium-term revenue visibility. The top three clients account for about 85% of the order book, whereas the top three projects accounts for 54% of the order book. The company enjoys a moderately diversified order book, however, there is geographical and segment-wise concentration risks. It healthy orders inflow in FY2022, which has enhanced its order book position. Further, given the healthy pipeline of metro projects, SIBPL is expected to secure healthy orders in the current financial year.

Healthy financial profile – SIBPL has been able to ramp-up its revenues significantly during the last two years, while maintaining its healthy working capital intensity. The company has public sector clients with a strong payment track record, which has helped it in keeping its receivables days at lower levels. SIBPL's working capital intensity as on March 31, 2022 stood at ~9%. With healthy accretion to reserves, its net worth increased to Rs. 281.30 crore as on March 31, 2022 from Rs. 211.2 crore as on March 31, 2021. The company's leverage and coverage ratios remained comfortable as reflected in the total outside liabilities/tangible net worth (TOL/TNW) ratio of 0.72 times as on March 31, 2022, and interest coverage ratio of 14.36 times in FY2022.

Credit challenges

Execution risk – The company witnessed sizeable order inflows in the past 12 months, which have recently commenced execution or are in the early stages of execution. 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 timelines. On a consortium basis, SIBPL has recently secured some relatively complex projects involving underground tunnel work, 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 FY2022, mitigates the risk to an extent.

Modest operating profitability – The company's operating profitability remains lower, due to significant reliance on hired equipment. However, the return on capital employed (RoCE) remains comfortable, supported by lower gross block and working capital requirements.

Sector-related risks including sizeable non-fund based exposure – The heightened competition for the Central Government contracts, along with the rise in key input materials (viz. steel, cement, etc), could exert pressure on the profitability of the contractors. Further, SIBPL has sizeable non-fund based exposure. However, ICRA takes comfort from its healthy execution track record and no crystallisation of guarantees in the past.

Liquidity position: Adequate

SIBPL's liquidity position is adequate with the expected cash flow from operations sufficient to meet its financial obligations. The company's liquidity profile is supported by its unencumbered cash and bank balance of Rs. 67.08 crore (including Rs. 47.96-crore free FDRs) as on March 31, 2022, and Rs. 30.0 crore of unutilised fund-based limits (which are a part of the interchangeable non-fund based limits), compared to limited debt servicing obligations of Rs. 4.12 crore in FY2023, Rs. 4.49 crore in FY2024 and Rs. 4.88 crore in FY2025. Further, SIBPL 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 and liquidity position while maintaining healthy working capital intensity may result in improvement in credit profile of the company.

Negative factors – Any deterioration in order book position that affects revenue visibility, or significant decline in operating income 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 issuer

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), Gujarat Metro Rail Corporation Limited (GMRCL), NBCC (India) Ltd., RITES Ltd, MES, 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 enlisted as a SS class contractor by MES.

Key financial indicators

	FY2021	FY2022*
Operating Income (Rs. crore)	1,393.9	1,311.7
PAT (Rs. crore)	64.3	70.1
OPBDIT/OI (%)	6.7%	7.9%
PAT/ OI (%)	4.6%	5.3%
Total Outside Liabilities/Tangible Net Worth (times)	0.8	0.7
Total Debt/OPBDIT (times)	0.5	0.5
Interest Coverage (times)	14.3	14.4

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Note: (*) – Provisional; Source: Company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2022 (Rs. crore)	Date & Rating in FY2023	Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020	
					Jun 24, 2022	Sep 15, 2021	Aug 06, 2021	Jul 20, 2020	-	
1	Issuer Rating	Long-term	-	-	-	[ICRA]A- (Positive); Rating Withdrawn	[ICRA]A- (Positive); rating put on notice of withdrawal	[ICRA]A- (Stable)	-	
2	Non-fund Based	Long-term /Short-term	745.0	-	[ICRA]A (Stable)/ [ICRA]A2+	[ICRA]A- (Positive)/ [ICRA]A2+	[ICRA]A- (Positive)/ [ICRA]A2+	[ICRA]A- (Stable)/ [ICRA]A2+	-	
3	Fund Based	Long-term /Short-term	5.0	-	[ICRA]A (Stable)/ [ICRA]A2+	-	-	-	-	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term / Short-term – Non-fund Based	Very Simple
Long-term / Short-term – Fund Based	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: www.icra.in

Annexure-1: 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	NA	NA	NA	745.0	[ICRA]A(Stable)/[ICRA]A2+
NA	Long-term / Short-term –Fund Based	NA	NA	NA	5.0	[ICRA]A(Stable)/[ICRA]A2+

Source: Company

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

Annexure-2: List of entities considered for consolidated analysis:- Not Applicable

Corrigendum

Document dated June 24, 2022 has been corrected with revision as detailed below:

a) Revision on page 4 in the key financial indicator table – a new row for “PAT/OI(%)” along with its values have been inserted, and the row containing “ROCE(%)” and “DSCR (times)” has been removed in line with the standard format.

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