

September 22, 2023

SAM (India) Builtwell Pvt. Ltd.: Long-term rating reaffirmed; short-term rating upgraded to [ICRA]A1

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term / Short-term – Non-fund based	745.00	745.00	[ICRA]A (Stable)/ [ICRA]A1; long-term rating reaffirmed; short-term rating upgraded to [ICRA]A1 from [ICRA]A2+
Long-term / Short-term – Fund based	5.00	5.00	[ICRA]A (Stable)/ [ICRA]A1; long-term rating reaffirmed; short-term rating upgraded to [ICRA]A1 from [ICRA]A2+
Total	750.00	750.00	

*Instrument details are provided in Annexure-I

Rationale

The revision in the short-term rating of Sam (India) Builtwell Pvt. Ltd. (SIBPL) factors in the improvement in the company's liquidity position, driven by healthy cash accruals and efficient working capital management in FY2023. It had free cash balances of ~Rs. 110 crore as on March 31, 2023 (vis-à-vis ~Rs. 23 crore as on March 31, 2022) against total debt outstanding of ~Rs. 29 crore. It prepaid its entire external debt and became net debt free as on July 31, 2023. In addition to free cash available, its liquidity is supported by undrawn fund-based working capital limits of Rs. 61 crore and access to mobilisation advances in several projects. ICRA notes that the company does not have any major capex or investment plans in the near to medium term, which coupled with healthy cash flows from operations, is expected to keep supporting its strong liquidity profile.

The reaffirmation of the long-term rating continues to reflect SIBPL's healthy financial risk profile as reflected in comfortable leverage (TOL/TNW of 0.9 times) and debt coverage ratios (interest cover of 10.5 times), favourable working capital cycle in its projects and availability of mobilisation advances. It posted a modest growth in its revenue and operating margin in FY2023. Its sizeable order book (Rs. 3,144 crore as on July 31, 2023 translating into OB/OI of 2.2 times)¹ provides healthy revenue visibility. In absence of any major capex or investment plans, the company's debt coverage and leverage indicators are expected to remain comfortable over the medium term. The ratings note 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 secured some relatively complex projects in the recent years involving underground tunnel work, which could be prone to higher execution challenges. Nevertheless, 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 heightened competition in the building segment and Central Government-funded contracts. However, its ability to maintain the margins despite the sharp rise in key input materials (viz. steel, cement, etc) in FY2023 offers comfort. It is also exposed to

¹ including the new order received from NBCC (L1 declared, and LOA awaited) of Rs. 594 crore, improving the OB/OI ratio to 2.2 times of its OI in FY2023

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 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 (DMRC) and Uttar Pradesh (UPMRCL). Besides, it has projects under execution from other Central Government departments and public sector entities such as the National Capital Region Transport Corporation Ltd. (NCRTC), Public Works Department (PWD), NBCC (India) Limited, RITES Limited, 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 had orders in hand aggregating ~Rs. 3,144 crore as on July 31, 2023, which was ~2.2 times of its operating income (OI) in FY2023. The current order book, spread across projects from multiple clients, provides adequate medium-term revenue visibility. Further, given the healthy outlook for metro and other infrastructure projects, SIBPL is expected to continue securing orders over the medium term. The top three clients account for about 67% of the order book, whereas the top three projects constitute 51% of the order book. The company enjoys a moderately diversified order book. However, it faces geographical and segment concentration risks.

Healthy financial profile – SIBPL witnessed a CAGR of ~15% in its OI over the last three years, while maintaining 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, 2023 stood at ~3%. Further, with healthy accruals in FY2023, the company prepaid its entire outstanding external debt by July 2023. With healthy accretion to reserves, its net worth increased to Rs. 352.0 crore as on March 31, 2023 from Rs. 277.5 crore as on March 31, 2022. The company's leverage and coverage ratios remained comfortable as reflected in the total outside liabilities/tangible net worth (TOL/TNW) ratio of 0.9 times as on March 31, 2023 and interest coverage ratio of 10.5 times in FY2023.

Credit challenges

Execution risk – The company witnessed sizeable order inflows (Rs. 1,200 crore) in 4M FY2024 and has recently commenced or is yet to commence execution in several of them. 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 is undertaking 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 FY2023, 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 moderate gross block and 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. 422 crore as on July 31, 2023). 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. 37.1 crore as on July 31, 2023 and Rs. 61.4 crore of unutilised fund-based limits (which are a part of the interchangeable non-fund based limits), compared to nominal capex plans and nil debt servicing obligations (as the company has prepaid all its external term loans in 4M FY2024). 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 rating downgrade would 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), 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 also enlisted as a SS class contractor by MES.

Key financial indicators

	FY2022	FY2023
Operating income (OI)	1,312.7	1,438.7
PAT	66.3	74.5
OPBDIT/OI	7.7%	8.1%
PAT/OI	5.1%	5.2%
Total outside liabilities/Tangible net worth (times)	0.8	0.9
Total debt/OPBDIT (times)	0.5	0.3
Interest coverage (times)	13.1	10.5

Source: Company data; 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

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as on Jun 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2021
				Sep 22, 2023	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	745.00	422.35	[ICRA]A (Stable)/ [ICRA]A1	[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	5.00	1.10	[ICRA]A (Stable)/ [ICRA]A1	[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: [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	NA	NA	NA	745.00	[ICRA]A(Stable)/ [ICRA]A1
NA	Long-term / Short-term – Fund based	NA	NA	NA	5.00	[ICRA]A(Stable)/ [ICRA]A1

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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