

Press Release

Shri Swami Samarth Engineers Limited (SSSEL)

(Formerly M/s Shri Swami Samarth Engineers)

January 31, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1	Long Term (Fund based) - Cash Credit	30.00	IVR BBB/ Stable Outlook; (IVR Triple B with Stable Outlook)
2	Short Term (Non-Fund based) – Bank Guarantee	30.00	IVR A3 + (IVR A Three Plus)
Total		60.00	

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from experienced management team and long track record of project execution, High growth in scale of operation, Comfortable Debt protection Metrics and strong liquidity. The rating however is constrained by Moderate order book reflecting medium-term revenue visibility, Geographical, segment & client concentration, Stiff competition & tender based contract awarding system and Susceptibility of operating margin to volatile input prices

Key Rating Sensitivities:

Upward Rating Factor

- Improvement in scale of operation and EBITDA Margin
- Significant improvement in debt protection metrics.

Downward Rating Factor

- Any deterioration in debt protection metrics or liquidity profile

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced management team and long track record of project execution

SSSEL is a Class I-A Govt. Contractors with Public Works Department, Government of Maharashtra. The company is executing various Irrigation Projects of Dams, Barrages, Irrigation Tunnels, K. T. Weirs and Canals etc. for Water Resource Department, Govt. of Maharashtra. The promoters have relevant educational qualification and more than two decade of experience in the field of civil Construction

High growth in scale of operation

The revenue improved with a CAGR growth of 17.64 % in the last 3 years ended FY19 due to scheduled completion of existing and new projects. In FY19 revenue was Rs. 138.17 Crores There was a marginal decline in revenue in FY18 as many of the on-going projects was about to complete where the revenue booking generally remains low.

Comfortable Debt protection Metrics

SSSEL's capital structure was comfortable with overall gearing ratio of around 0.63x in FY19. Total debt/GCA and interest coverage also remained comfortable at 2.41x and 4.07x respectively in FY19. TOL/ANW is 0.88x as on 31st March, 2019

Liquidity remained strong supported by working capital management

The current ratio & quick ratio of the company remains comfortable and stood at 1.67x and 1.45x respectively as on March 31, 2019. The company cash flow from operation also remains adequate. The liquidity of the firm is expected to remain strong in the near to medium term in view of sufficient cash accruals in comparison to debt repayment obligation. The average utilisation of the same remains at 67.9% in the last twelve months ended October 2019.

Key Rating Weaknesses

Moderate order book reflecting medium-term revenue visibility

The company has an unexecuted order book of Rs. 282.28 crore as on November 30, 2019 with orders across ten contracts which is about 2.04 times of its FY19 revenue. Majority of

the orders are expected to be completed by FY21, indicating a moderate revenue visibility in near to medium term

Geographical, segment and client concentration

The company pre-dominantly operates in the states of Maharashtra. It is Class I-A Govt. Contractors with Public Works Department, Govt. of Maharashtra. Irrigation projects accounts for 61.26% of total revenue in FY19 and thus posing segment risk and also its top five clients accounts for 70.52% in FY19 and thus posing client concentration risk.

Stiff competition and tender based contract awarding system

SSSEL faces competition from other contractors while bidding and securing construction works. The presence of a tender based contract awarding system also restricts pricing flexibility of all players in the industry.

Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour cost. However, presences of escalation clause in most of the contracts protect the margin to an extent.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for construction companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Strong

The liquidity profile of the company is strong characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The company maintains sufficient cash balances to meet its liquidity requirements. The average utilization of working capital bank limit during the last

12 months ended October 31, 2019, stood moderate at about 67.9% indicates strong liquidity position

About the company

SSSEL started as a partnership concern in 1999 and then reconstituted as private limited company with a name Shri Swami Samarth Engineers Limited on 10th May 2019. The entire assets & liabilities of M/s Shri Swami Samarth Engineers has transferred to private limited company on a going concern basis. The Company is registered as a Class I-A Government Contractors with Public Works Department, Govt. of Maharashtra.

Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	88.31	138.17
EBITDA	13.82	17.08
PAT	8.19	12.01
Total Debt	35.97	33.88
Tangible Net worth	31.75	12.10
EBIDTA Margin (%)	15.65	12.36
PAT Margin (%)	9.21	8.62
Overall Gearing ratio (x)	1.13	0.63

* Classification as per Infomerics' standards

Details of Non-Cooperation with any other CRA: Care Ratings in its press release published on July 13, 2018 has classified the case under Issuer Not Cooperating status on account of non-submission of relevant information.

Any other information: N.A

Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount sanctioned/ outstanding (Rs. crore)	Rating	Rating assigned in 18-19	Rating assigned in 17-18	Rating assigned in 16-17
Fund Based Facilities	Cash Credit	30.00	IVR BBB/Stable Outlook	--	--	--

Non-Fund Based Facilities	Bank Guarantee	30.00	IVR A3 +	--	--	--
	Total	60.00				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Sr. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Fund Based - Cash Credit	--	--	--	30.00	IVR BBB/Stable Outlook
2	Non-Fund Based - Bank Guarantee	--	--	--	30.00	IVR A3 +
Total					60.00	