



# Infomerics Valuation And Rating Pvt. Ltd.

## Press release

### Sibin Group

March 26, 2020

#### Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Bank Facilities	25.00	IVR BBB- /Stable (IVR Triple B Minus with Stable Outlook)
	<b>Total</b>	<b>25.00</b>	

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The rating assigned to the bank facilities of Sibin Group (SIBG) derives comfort from its long and successful track record guided by an experienced proprietor, reputed clientele resulting in low counter party risk and diversified segment portfolio with synergy benefit from associate concerns. The rating also positively considers its strong growth in operation in FY19 and 9MFY20 with strong profitability along with satisfactory order book position indicating a strong near-term revenue visibility and satisfactory financial risk profile marked by comfortable capital structure and satisfactory debt coverage indicators. The rating strengths are partially offset by its proprietorship nature of constitution, moderate scale of operation with geographical concentration, presence in highly competitive industry coupled with business risk associated with tender-based orders and working capital intensive nature of operations marked by high receivables.

#### Key Rating Sensitivities

##### Upward factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and debt protection metrics.
- Sustainance of the capital structure
- Improvement in receivable period and improvement in liquidity

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### Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators
- Elongation in receivable period impacting the liquidity
- Moderation in overall gearing to more than 1.5 times

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced proprietor**

Mr. Neel Prakash Chhetri has vast experience in vocational training and computer equipment supply business. Mr. Chhetri is at the helm of affairs of the entity along with a group of experienced and adequately qualified personnel who are in various positions of the entity.

- **Long and successful track record**

The entity started its business operation from 1995 in Gangtok (Sikkim), thus, enjoying over two decades of successful operational record of accomplishment. During this long tenure, the entity gradually diversified its service portfolio in vocational training, skill building, IT services, computer equipment supplies and tourism sector.

- **Reputed clientele resulting in low counter party risk**

Since inception, the entity is engaged in providing vocational training and supply of computer peripherals to various departments and educational institutes under the Government of Sikkim. The entity is a Government empanelled service provider in various states like, Sikkim, Assam, West Bengal and Tripura for such services. Being a government empanelled service provider its counter party risk remained low.

- **Diversified segment portfolio with synergy benefit from associate concerns**

The entity earns its operating revenue from broadly three segments like, Revenue from Educational Service, Revenue from Hardware Equipment & Other Supply and Revenue from IT & Software services. Having revenue from multiple segments imparts comfort. This apart, under the same management, there are several other businesses like – NSDC certified skill development training centre, a partnership firm for executing education and training projects in the states of Assam, West Bengal and Tripura and an IT solution provider concern for e-

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governance projects and tourism IT support. SIBG enjoys synergy benefits on the back of having various entities owned by its proprietor engaged with various state governments.

- **Strong growth in operation in FY19 with strong profitability along with satisfactory order book position indicating a strong near-term revenue**

The total operating income (TOI), witnessed a moderation of ~8% in FY18 over FY17 because of lesser hardware supply contract. However, TOI has increased by ~183% in FY19 driven by a large Laptop supply order to Human Resource Development Department (HRDD) of Government of Sikkim. The revenue from Hardware, Equipments & Other Supply segment increased from Rs.5.43 crore in FY18 to Rs.68.82 crore in FY19. With high revenue contribution from the service sector the profit margins of the entity remained on the higher side. The EBITDA margin though moderated from 24.46% in FY18 to 14.19% in FY19 due to increase in revenue from computer supply segment, which generally fetch low margin, continues to remain strong. The PAT margin moved in tandem with the EBITDA margin and remain satisfactory at ~14% in FY19. In 9MFY20, the entity has achieved a PBT of Rs.7.51 crore on revenue of Rs.56 crore. Further, the entity has order book position of Rs.90.18 crore as on January 31, 2020, among which ~60% (i.e.Rs.54 crore) is envisaged to be completed during FY20, which indicates a near term growth and healthy revenue visibility.

- **Satisfactory financial risk profile marked comfortable capital structure and satisfactory debt coverage indicators**

The Financial risk profile of the entity is satisfactory marked by its comfortable capital structure marked by no long-term debts as on the past three account closing dates. Further, the overall gearing ratio and TOL/TNW remained comfortable at 0.14x and 2.14x respectively as on March 31, 2019. The entity has earned a gross cash accruals (GCA) of Rs.12.42 crore in FY19 (Rs.7.42 crore in FY18). With a comfortable capital structure and strong GCA, the debt protection metrics marked by the interest coverage ratio and Total debt to GCA remained strong at 26.12x and 0.46 years respectively in FY19. Further, in 9MFY20, the interest coverage ratio continued to remain strong at 10.42x.

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### Key Weaknesses

- **Proprietorship nature of constitution**

SIBG, being a proprietorship entity, is exposed to inherent risk of proprietor's capital being withdrawn at the time of personal contingency and entity being dissolved upon the death/retirement/insolvency of the proprietor. Furthermore, proprietorship entities have restricted access to external borrowing, as credit worthiness of proprietor would be the key factors affecting credit decision for the lenders.

- **Moderate scale of operation with geographical concentration**

SIBG is relatively a moderate player with total operating income of Rs.89.14 crore and PAT of Rs.12.37 crore, respectively, in FY19. The moderate scale restricts the financial flexibility of the entity in times of stress. Further, the order book is from the government of Sikkim only, which indicates a geographical revenue concentration risk.

- **Highly competitive industry coupled with business risk associated with tender-based orders**

Vocational training and computer peripheral supply industry is very competitive and mostly unorganised in India. SIBG faces direct competition from many players in the domestic market. There are various players catering to the same market, which leads to limit the bargaining power of the entity and consequent pressure on its margins. Though the entity is empanelled for various Government agencies for vocational training and IT needs, but the orders are majorly awarded through the tender-based system. The growth of the business depends on its ability to successfully bid for the tenders and appear as the lowest bidder. Any changes in the government policy and spending on projects are likely to affect the revenues of the entity.

- **Working capital intensive nature of operations marked by high receivables**

The operation of the entity is working capital intensive. The entity raises bills after the completion of work contract. The entity allows credit period of up to 90 days. The entity's client base is majorly government entities, where in the payments is elongated owing to procedural delays. Further, a large part of its contracts is generally executed in the last quarter, which results in high receivable in the year-end. The average collection period stood at 127 days for FY19. To

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manage its working capital needs the entity generally makes payment to the creditors as and when the payments are being realized. The procurement remains majority contract backed. Therefore, the entity maintains minimal inventory in form of work in process for the work under execution. During FY19, inventory period has increased due to undistributed computer peripherals which was ordered in the last month of financial year. However, during FY19, the creditors period has increased as the payment was due to Laptop suppliers because of payment received from Government in the last month of the financial year. During last 12 months ending on February 2020, average utilisation of bank borrowing was around ~81%.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Service Sector Companies  
Financial Ratios & Interpretation (Non-Financial Sector)

**Liquidity: Adequate**

The liquidity profile of SBIG is expected to remain adequate marked by its expected satisfactory cash accrual of ~Rs.13.43 crore vis- a- vis its nil debt repayment obligations in FY20. Further, the entity has no planned capex or availment of long-term debt, which imparts comfort. However, the liquidity profile is restricted due to its working capital-intensive nature of operations. During last 12 months ending on February 2020, average utilisation of bank borrowing was around ~81% indicating a moderate liquidity buffer.

**About the Company**

Sibin Group (SIBG) has started its operation from 1995 as a proprietorship entity by one Mr Neel Prakash Chhetri of Gangtok, Sikkim. Since inception, the entity is engaged into providing volitional training, installing IT infrastructure and supply of computer equipment & peripherals. The entity provides such services to Government of Sikkim. Mr. Neel Prakash Chhetri, proprietor, along with a team of experience personnel, looks after day-to-day affairs of the entity.

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### Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	31.49	89.14
EBITDA	7.70	12.65
PAT	7.49	12.37
Total Debt	3.56	5.72
Tangible Net worth	29.71	39.51
EBITDA Margin (%)	24.46	14.19
PAT Margin (%)	23.77	13.84
Overall Gearing Ratio (x)	0.12	0.14

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Cash Credit	Long Term	25.00	IVR BBB- /Stable	-	-	-

**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](http://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. It is gradually gaining



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prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	25.00	IVR BBB- /Stable