



Press Release

Shri Swami Samarth Engineers Limited [SSSEL]

(Formerly M/s Shri Swami Samarth Engineers)

April 07, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Current Ratings	Rating Action
1.	Long Term Fund Based Facilities-Cash Credit	30.00	IVR BBB; Credit Watch with Developing Implication (IVR Triple B; Credit Watch with Developing Implication)	Reaffirmed; Placed under credit watch with developing implication
2.	Short Term Non-Fund based Facilities-Bank Guarantee	30.00	IVR A3 +; Under Credit Watch with Developing Implication (IVR A Three Plus; Credit Watch with Developing Implication)	Reaffirmed; Placed under credit watch with developing implication
	Total	60.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings to the bank facilities of Shri Swami Samarth Engineers Limited continue to derive strength from the experienced management team & long track record of project execution, growing scale of operation & strong order book, comfortable debt protection metrics and efficient working capital management. The rating however is constrained by geographical, segment and client concentration, stiff competition and tender based contract awarding system and susceptibility of operating margin to volatile input prices.

Rating on credit watch with developing implication is on account of the headwinds arising out of Covid-19 pandemic. The exact impact of the same is still to be ascertained.



Press Release

Key Rating Sensitivities:

Upward Factor

- Significant & sustained improvement in revenue and EBITDA Margin while maintaining the debt protection metrics.
- Significant improvement in debt protection parameters

Downward Factor

- Any deterioration in debt protection metrics and/or liquidity profile

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced management team and long track record of project execution

Shri Swami Samarth Engineers Limited is a Class I-A Govt. contractors with Public Works Department, Government of Maharashtra. The firm is executing various irrigation projects example: Dams, Barrages, Irrigation Tunnels, K. T. Weirs and Canals etc. for Water Resource Department, Govt. of Maharashtra. The promoters of Shri Swami Samarth Engineers Ltd have educational qualification in Civil Engineering and more than two-decade of experience in the field of civil construction.

High growth in scale of operation & strong order book

The revenue improved with a CAGR growth of 46.14% in the last 3 years ended FY20 due to scheduled completion of existing and new projects. In FY20 revenue was INR184.31Crores as compared to INR138.17 Crores in FY19. There was a Y-O-Y increase in revenue by 33.39% in FY20. Though, 9MFY21 performance was subdued due to Covid-19 and SSSEL has booked the revenue of INR62.58 Cr. However, SSSEL's has a strong order book of INR515.42 crore as on 15th February 2020 (Improved from INR282.28 core from last year order book) and SSSEL has received new orders to the tune of around INR352.63 Crore in FY21, majority of which are expected to be completed by FY23 and also there is a change of focus from irrigation projects to road projects as government is giving more thrust to road connectivity for accelerated economic development.



Press Release

Comfortable Debt protection Metrics

SSSEL's capital structure was comfortable with Long Term Debt to equity was around 0.87x in FY20. Total debt/GCA and interest coverage also remained comfortable at 2.41x and 5.89x in FY20.

Efficient working capital management

Working capital management of SSSEL is efficient, backed by low cash conversion cycle of 39 days in FY20 as compared to 64 days in FY19. The company managed its receivables cycle well which gets reflected in the average debtor days of around 52 in FY20 as compared to 72 days in FY19. Besides, SSSEL's average inventory holding days are also low at 12 days in FY20 as compared to 29 days in FY19. The average utilisation of the same remains at 80.77% in the last twelve months ended February-2021.

Key Rating Weaknesses

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. Road & Civil construction accounts for 76.67% of total revenue in FY20 and thus posing segment risk. Out of the total order book value around 65.28% project value is from state of Maharashtra.

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 a major extent.



Press Release

Analytical Approach & Applicable Criteria:

Standalone Approach

Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

Adequate liquidity is characterized by comfortable gross cash accruals against repayment obligation in FY20. Liquidity is further supported by current ratio of 1.62x in FY20 and average fund based working capital utilization of 80.77% for the last twelve months ended Feb-21. Bank Guarantee Utilization stands at 83.85% for the 12 months ended Feb-21, SSSEL has cash and bank balances of around INR7.03 Crore in FY20 (including restricted cash of around INR6.71 Crore)

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)

(INR Crore)

For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	138.17	184.31
EBITDA	17.13	21.48
PAT	12.01	10.59
Total Debt	33.88	39.53
Tangible Net-worth	12.10	35.29
EBITDA Margin (%)	12.40	11.66
PAT Margin (%)	8.62	5.68
Overall Gearing Ratio (x)	2.80	1.12

* Classification as per Infomerics' standards



Press Release

Status of non-cooperation with previous CRA: Care Ratings vide its press release dated February 26, 2021 has classified the case under Issuer Not Cooperating status on account of non-submission of relevant information.

Brickwork Ratings vide its press release dated October 07, 2020 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:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount Outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20 (January 31, 2020)	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Facility – Cash Credit	Long Term	30.00	IVR BBB; Credit Watch with Developing Implication	--	IVR BBB/Stable Outlook	--
2	Non-Fund Based Facility -Bank Guarantee	Short Term	30.00	IVR A3 +; Credit Watch with Developing Implication	--	IVR A3 +	--

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.

Name and Contact Details of the Rating Team:

Name: Ms. Himani Singhal

Tel: (022) 62396023

Email: hsinghal@infomerics.com

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

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



Press Release

long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Fund Based Facility - Cash Credit	30.00	NA	NA	--	IVR BBB; Credit Watch with Developing Implication
Short term Facility Non-Fund Based-Bank Guarantee	30.00	NA	NA	--	IVR A3+; Credit Watch with Developing Implication