



Press Release

Shreeji Infrastructure India Private Limited

March 12, 2024

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	44.00 (enhanced from 24.00)	IVR BBB+; Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	320.00 (enhanced from 290.00)	IVR A2 (IVR A Two)	Reaffirmed	Simple
Long Term/ Short Term Bank Facilities - Proposed	22.00 (reduced from 72.00)	IVR BBB+/ IVR A2 ((IVR Triple B Plus with Stable Outlook/ IVR A Two)	Reaffirmed	Simple
Total	386.00 (Rupees three hundred and eighty-six crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Shreeji Infrastructure India Private Limited (SIPL) continue to be driven by stable business performance of the company marked by improvement in operating income and profitability coupled with stable financial risk profile of the company marked by comfortable capital structure and satisfactory debt protection metrics in FY23. Further, the ratings also factor in SIPL's established track record of operation under experienced promoters, satisfactory order book reflecting satisfactory medium-term revenue visibility and reputed clientele leading to low counterparty risk. However, these rating strengths continues to remain partially offset by exposure to Special Purpose Vehicle's (SPV) with exposure to project execution risk, susceptibility of operating margin to volatile input prices, tender based nature of business with intense competition in the industry and exposure to high geographical and sectoral concentration risk.

Key Rating Sensitivities:

Upward factors

- Timely execution of pending orders, which will lead to a sustained growth in its top line along with cash accruals
- Sustenance of the capital structure with improvement in debt protection metrics



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Downward Factors

- Delay in order execution leads to a significant decline in its revenue and/or profitability thereby impacting the debt coverage indicators leading to deterioration in the financial risk profile
- Moderation in the capital structure with deterioration in overall gearing to over 1.5x
- significant rise in working capital intensity and/or any unplanned capex leading to deterioration in the liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Established track record of operations under experienced promoters

Being incorporated in March, 1999, the company has an experience of more than two decades in the business of civil construction. The company's day-to-day operations are looked after by Mr. Anant Singh and Mr. Sanjay Singh, both are qualified graduate and possess experience of 20 years, along with a team of experienced professionals.

Satisfactory order book reflecting satisfactory medium-term revenue visibility

SI IPL's order book stood at around Rs.2571.35 crore as on January 06, 2024 (~4.66 times of the revenues in FY2023), which provides adequate revenue visibility in the near to medium term.

Reputed client profile, leading to low counterparty risk

Over the years, the company has executed several civil construction projects for reputed clients which includes various state government departments, National Highway Authority of India (NHAI) and Ministry of Road and Transport. The counterparty risk appears low because of its reputed client base.

Stable business performance of the company marked by improvement in operating income and profitability

SI IPL's total operating income witnessed a y-o-y increase by ~71% to Rs.552.05 crore in FY23 as compared to Rs. 315.63 crore on the back of increase in flow of new orders and consequent better execution of existing orders. With rise in scale of operation leading to better absorption of fixed overheads coupled with execution of few high margin orders, EBITDA margin



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improved to 7.36% in FY23 from 6.72% in FY22. Underpinned by rise in absolute EBITDA, the PAT margin also improved to 4.11% in FY23. Till 9MFY24, the company has achieved a revenue of Rs.339.35 crore. Infomerics expects that the scale of operation of the company will increase going forward on the back of newly awarded Hybrid- Annuity Model (HAM) projects and execution of its existing orders.

Stable financial risk profile of the company

The capital structure of the SIPL had remained stable with overall gearing at 0.94x as on March 31, 2023, as against overall gearing at 0.80x as on March 31, 2022. The deterioration in overall gearing is mainly due to an increase in interest bearing mobilization advances during the year. TOL/TNW has also remained satisfactory and stood at 2.06x as on March 31, 2023 against 1.84x as on March 31, 2022. The debt protection metrics of the company continued to remain satisfactory. Interest coverage ratio had improved in FY23 to 2.78x as against 1.84x in FY22 on account of increase in absolute EBITDA. Further, Total debt to GCA and Total debt to EBITDA continued to remain satisfactory at 4.43x and 3.91x respectively as on March 31, 2023.

Key Rating Weaknesses

Exposure to SPVs coupled exposure to project execution risk

The current order book of the company comprises three projects for road construction in Madhya Pradesh aggregating to ~Rs.1080 crore to be executed under HAM accounting for ~42% of the order book of the company as on December 31, 2023. These three HAM projects are to be executed under three SPVs floated by SIPL. SIPL has invested equity and extended corporate guarantees to the bank facilities availed by these SPVs. Presently, out of these three projects SIPL has received appointed date for two projects and has completed ~40% and ~10% of the total work respectively till December 31, 2023. Since, the HAM projects are at their nascent stage of construction and are therefore exposed to risk of cost overrun or delay in completion. Timely completion of these project along with timely receipt of grant from the authority will be critical from a credit perspective.

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 (including sub-



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contracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost. However, the presence of escalation clause (for raw materials) in few of the contracts protect the margin to an extent.

Tender based nature of business with intense competition in the industry

The domestic construction sector is highly crowded with presence of many players with varied stature and capabilities. Further, the company receives work orders through tenders amidst intense price war. The profit margins of the company may remain under pressure because of this highly competitive nature of industry. However, promoters' long industry exposure imparts comfort.

High geographical and sectoral concentration risks

The major portion of the company's revenues and the current order book are concentrated in Chhattisgarh and Madhya Pradesh. Though the company is executing orders in other states as well, the proportion of the same in the revenue and order book remains low, exposing SIPL to high geographical concentration risk. Moreover, the company also remains exposed to high sectoral concentration risk with operations primarily limited to construction of roads and buildings.

Analytical Approach: Consolidated

The company execute projects through SPV mode by floating subsidiaries namely Shreeji Badwar Maouganj Road Project Pvt Ltd (SBMRPPL), Shreeji Haidergarh Begamganj Road Project Pvt Ltd (SHBRPPL) and Shreeji Raghogarh Nanasa Road Project Pvt Ltd (SRNRPPL) for better execution of projects. Besides, the company also has one subsidiary and one associate company namely Shreeji Buildcon India Pvt Ltd and Vicon Imperial India Pvt Ltd. Moreover, SIPL already extended corporate guarantee to SBMRPPL and SHBRPPL and is also planning to extend corporate guarantee to SRNRPPL. Infomerics has considered the consolidated business and financial risk profile of SIPL and its subsidiaries and associates as these entities are linked through a parent-subsidiary relationship, common shareholders and collectively have same management with business and financial linkages. List of companies considered for consolidation is given in Annexure 3.

Reason for change in Analytical Approach: The analytical approach was standalone at the time of last rating review. Since, the subsidiaries came into existence during FY23 and SIPL



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has extended corporate guarantees to its subsidiaries, the analytical approach has been changed from Standalone to Consolidated.

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for rating outlook](#)

[Policy of default recognition](#)

[Criteria on complexity](#)

[Consolidation of companies](#)

Liquidity: Adequate

The liquidity position of the company is adequate as the expected gross cash accruals of the company are likely to remain favourable relative to its debt-servicing obligations during FY23-FY25. Moreover, the company does not have any major capital expenditure plan in the near to medium term which imparts comfort. Moreover, SI IPL's average working capital utilization for the past twelve months ended December 2023 stands at ~81% which indicates moderate liquidity.

About the Company

Incorporated in the year 1999, Shreeji Infrastructure India Private Limited (SI IPL) is having presence in construction of roads, tunnels and dams. The company is also involved in the construction of basic infrastructure facilities for industrial area manufacturing and industrial units' residential dwellings & complexes, commercial complexes and engineering procurement and constructions (EPC) services in the country with the long portfolio of executing projects. At present the company is delivering custom-designed turnkey projects to government agencies, large corporations, and private bodies.

The company has also been awarded two projects for road construction by Madhya Pradesh Road Development Corporation (MPRDC) on Hybrid Annuity Model (HAM) basis in January 2022 and November 2022 for which the company has floated subsidiaries - Shreeji Badwar Mauganj Road Project Pvt Ltd (SBMRPPL) and Shreeji Haidergarh Begamganj Road Project Pvt Ltd (SHBRPPL) as Special purpose vehicles (SPV).



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SIPL has also been awarded a project for road construction by National Highway of India (NHA) on Hybrid Annuity Model (HAM) basis in May 2023 for which the company has floated subsidiaries - Shreeji Raghogarh Nanasa Road Project Pvt Ltd (SRNRPL) as Special purpose vehicles (SPV). The company has not yet received appointed date for this project and the concession period is 15 years including construction period of two years.

Financials of SIPL (Consolidated):

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Income	315.63	552.05
EBITDA	21.21	40.63
PAT	13.22	23.43
Total Debt	117.57	158.76
Tangible Net worth	146.61	169.50
EBITDA Margin (%)	6.72	7.36
PAT Margin (%)	3.97	4.11
Overall Gearing Ratio (x)	0.80	0.94
Interest Coverage	1.78	2.78

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: The ratings of Shreeji Infrastructure India Private Limited continue to remain under Issuer Not Cooperating category by India Ratings as per Press Release dated May 15, 2023 due to unavailability of information.

Any other information: Nil

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument / Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23 (March 15, 2023)	Date(s) & Rating(s) assigned in 2021-22 (January 04, 2022)	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	44.00	IVR BBB+; Stable	IVR BBB+; Stable	IVR BBB+; Stable	-
2.	Bank Guarantee	Short Term	320.00	IVR A2	IVR A2	IVR A2	-



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Sr. No.	Name of Instrument / Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23 (March 15, 2023)	Date(s) & Rating(s) assigned in 2021-22 (January 04, 2022)	Date(s) & Rating(s) assigned in 2020-21
3.	Proposed Fund Based/ Non-Fund Based Limits	Long Term/ Short Term	22.00	IVR BBB+; Stable/ IVR A2	IVR BBB+; Stable/ IVR A2	IVR BBB+; Stable/ IVR A2	-

Name and Contact Details of the Rating Analyst:

Name: Mrs. Nidhi Sukhani Tel: (033) 46022266 Email: nsukhani@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
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About Infomerics Ratings:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit www.infomerics.com.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit	-	-	-	44.00	IVR BBB+; Stable
Short term Non-Fund Based Limits – Bank Guarantee	-	-	-	320.00	IVR A2
Long Term/ Short Term Fund Based/ Non-Fund Based Limits	-	-	-	22.00	IVR BBB+; Stable/ IVR A2

Annexure 2: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Len-SIPL-12032024.pdf>

Annexure 3: List of companies considered for consolidated analysis:

Sl. No.	Name of Group company*	Nature of relationship	Holding by RPPL
1	Shreeji Buildcon India Pvt Ltd	Subsidiary	63.00%
2	Vicon Imperial India Pvt Ltd	Associates	24.00%
3	Shreeji Badwar Mauganj Road Project Pvt Ltd	Subsidiary	99.99%
4	Shreeji Haidargarh Begamganj Road Project Pvt Ltd	Subsidiary	99.99%
5	Shreeji Raghogarh Nanasa Road Project Pvt Ltd	Subsidiary	99.99%

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.