



## Press Release

### Shyamsree Infrastructure Private Limited

November 19, 2021

#### Ratings

Sl. No.	Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	15.00	IVR BBB+(CE); Stable (IVR Triple B Plus [Credit Enhancement] with Stable Outlook) *	Reaffirmed
2.	Long Term/ Short Term Bank Facilities	35.00	IVR BBB+(CE); Stable/ IVR A2 (CE) (IVR Triple B Plus [Credit Enhancement] with Stable Outlook and IVR A Two [Credit Enhancement]) *	Reaffirmed
	<b>Total</b>	<b>50.00 (Rs. Fifty crore only)</b>		

*\*Based on Shortfall Undertaking from Shyamsree Food Processing Pvt Ltd*

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Shyamsree Infrastructure Private Limited (SIPL) continues to derive strength from a shortfall undertaking extended by Shyamsree Food Processing Pvt Ltd (SFPPL). This shortfall undertaking results in credit enhancement in the rating of the said instrument to **IVR BBB+ (CE); Stable/IVR A2 (CE) (IVR Triple B Plus [Credit Enhancement] with Stable Outlook/ IVR A Two [Credit Enhancement])** against the unsupported rating of **IVR BB; Credit Watch with Developing Implications (IVR Double B under Credit Watch with Developing Implications)**. The unsupported rating is placed under credit watch with developing implications to monitor its performance in the near term as the company currently is planning to focus on independent third party contracts instead of contracts from group companies. Infomerics will continue to monitor the developments in this regard and will take a view on the rating once the exact implications of the above on the credit risk profile of the company are clear. Further, the rating also continues to derive strength from its experience promoters and management of SIPL, strong financial support from the Shyam steel group, strong credit profile of Shyamsree Food Processing Pvt Ltd, reputed clientele with moderate order book position indicating a revenue visibility and presence of adequate Bank Guarantee limit. However, these rating strengths are partially offset by small scale of operations of SIPL,



## Press Release

leveraged capital structure, tender based nature of business, presence in a fragmented industry with intense competition and its working capital-intensive nature of operations.

### **Rating Sensitivities**

#### **Upward factors**

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals.
- Improvement in capital structure with improvement in overall gearing to below 2x
- Improvement in receivable management leading to improvement in working capital intensity
- Improvement in financial risk profile of the shortfall undertaking provider SFPL

#### **Downward Factors**

- Dip in operating income and/or profitability impacting the debt coverage indicators and further deterioration in receivable position
- Moderation in the capital structure with deterioration in overall gearing to over 3x
- Deterioration in financial risk profile of the shortfall undertaking provider SFPL

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

- **Experience promoters**

The company is promoted by Mr. Ravi Beriwal who has over 25 years of experience in the contract management and project construction and steel industry. Mr. Beriwal looks after the day-to-day affairs of the company and is well assisted by technical head Mr. Ashok Kumar Banerjee having 40 years of experience in engineering and project contract management.

- **Strong financial support from the group**

The company is part of the Shyam steel group which is one of the major integrated iron and steel player in the eastern part of India. SSIPL receives significant and timely financial support from the Shyam Steel group in the form of unsecured loans to SSIPL for meeting its debt obligations and capital expenditure requirements. The Shyam Steel Group has a strong financial profile and has a legacy of nearly than two decades and is an established player in iron and steel industry in Eastern India. Other than the iron and steel business the group has



## Press Release

diversified interest in construction, food processing etc. Infomerics expects. going forward, SSIPL will continue to receive continuous support from its other Group companies.

- **Strong credit profile of Shyamsree Food Processing Pvt Ltd**

Shyamsree Food Processing Pvt Ltd has a strong credit profile being a long-term debt free company with strong cash flows and strong debt protection metrics. During FY21 (Prov.) the company has witnessed steady growth in its profitability and gross ash accruals which fuelled improvements in its debt protection metrics.

- **Reputed clientele with moderate order book position indicating a revenue visibility**

The clients of SSIPL consist of reputed players from both private and public sectors. The present order book consists orders from reputed entities like South Eastern Railways, Hoogly River Bridge Commissioner, TATA Hitachi Construction, Shyam Steel Industries Limited. Further, SSIPL has a moderate order book position with balance order in hand is of Rs.86.22 crore as on Aug 31, 2021, to be completed within next two years which is ~3.72x of the turnover of FY21.

- **Presence of adequate Bank Guarantee limit**

The presence of adequate bank guarantee limit enables the company to bid for more fresh projects. The free limits enable SSIPL to bid for more fresh orders. The company currently has Rs.35 crore of bank guarantee limit of which Rs.20 crore of bank guarantee is free to bid for tender. The average non-fund based (BG) utilisation is remained satisfactory at ~25 % during the past 12 months ended on September, 2021.

### **Key Rating Weaknesses**

- **Small scale of operations**

The scale of operations of the company remained small and total operating income has moderated y-o-y by ~34% in FY21 due to lesser order execution during H1FY21 mainly due to spreading of pandemic and labour shortage. However, the operating margin continued to remain healthy and has improved from 13.80% in FY20 to 15.65% in FY21 backed by cost optimisation and execution of some high margin contracts. However, PAT margin has moderated on account of higher capital charges and stood around ~4% in FY21. Further, the net worth of the company stood small at Rs.11.81 crore as on



## Press Release

March 31, 2021. Small scale of operations restricts the financial risk profile of the company. However, SSIPL is a part of a strong group which imparts comfort.

- **Leveraged capital structure**

The financial risk profile of the company is moderate marked by its leverage capital structure and moderate debt protection metrics. The company has issued fresh 7% Non-convertible Debenture (Rs.16.50 crore outstanding as on March 31,2021) and availment of unsecured loan from group company to fund its ongoing work orders during FY21. The aforesaid debentures are issued to group companies and issued under favourable terms. However, due to rise in debt level the leverage ratios moderated in FY21. However, the interest coverage ratio though moderated remained adequate at 2.24x in FY21. The average Cash Credit utilisation also remained negligible during the past 12 months ended on Sept. 2021. Going forward, Infomerics believes the financial risk profile of the company will continue to remain moderate.

- **Tender based nature of business and presence in fragmented industry with intense competition**

SSIPL operates in a tender based business and faces competition from other national level large players and small unorganized players who generally specialize in one or two business segments only. Revenues are dependent on the company's ability to bid successfully for tenders.

- **Working capital intensive nature of operations**

SSIPL's business is working capital intensive on account of high collection period, blockage of retention money due to long duration of construction projects, which gets released after successful completion of performance guarantee test period. The operating cycle remained high and further elongated to 226 days in FY21 (110 days in FY20) due to high collection period. The inventory days also stood elongated at 110 days in FY21. Further, a large part of working capital remained blocked in unbilled contractual revenue and receivable from joint venture partners. On receipt of tender, the company has to arrange for 5-10% of the tender value as security deposit as cash or bank guarantee. Principal deducts another 5-10% as retention amount from each running bill. The security deposit is released on completion of contract and retention money is released 1-2 years after project completion. SSIPL's ability to manage the working capital requirements effectively is a key rating monitorable.



## Press Release

### **Analytical Approach:**

**Credit Enhancement (CE) rating:** Assessment of the credit profile of Shyamsree Food Processing Pvt. Ltd (SFPPL), provider of shortfall undertaking provided to Infomerics stating that any shortfall in debt obligation of SSIPL will be taken care by SFPPL.

**Unsupported rating:** Standalone

### **Applicable Criteria:**

Rating Methodology for Infrastructure Companies

Rating Methodology for Manufacturing Companies

Rating methodology for Structure Debt Transaction (Non-securitisation transaction)

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity: Adequate**

Liquidity position of SSIPL is adequate marked by expected satisfactory cash accruals against repayment obligations of around ~Rs.0.30 crore each in FY22 and in FY23. The liquidity also receives comfort from no major capex plan on part of the SSIPL and its adequate available bank guarantee limit. In addition, significant comfort can be derived from the strong financial flexibility of the Shyam Steel group and the commitment to support by SFPPL in case of exigencies. However, the extension/refinancing of issued debentures are crucial for the liquidity position of the company. Further, the standalone liquidity position of the company is restricted due to its working capital-intensive nature of operations with elongated operating cycle.

### **About Shyamsree Infrastructure Private Ltd**

Incorporated in 2006, Kolkata based Shyamsree Infrastructure Private Ltd. (SIPL), is promoted by Mr. Ravi Beriwal. SIPL started operations in 2014 and is engaged in infrastructure development with primary focus on construction of building railway bridges and roads. The company also undertakes in-house infrastructural development where it develops infrastructure like installation of plant & machinery and development of commercial properties for the company. The company is part of the Shyam steel group, which is one of the major integrated iron and steel player with pan India presence.





## Press Release

### Financials of SIPL (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Income	34.97	23.15
EBITDA	4.83	3.62
PAT	2.29	0.93
Total Debt	17.75	25.89
Tangible Net worth	10.88	11.81
EBITDA Margin (%)	13.80	15.65
PAT Margin (%)	6.54	4.02
Overall Gearing Ratio (x)	1.63	2.19

\*Classification as per Infomerics' standards.

### About Shyamsree Food Processing Pvt Ltd

SFPPL was incorporated in 2010 as Shyam Kund Vyapaar Pvt. Ltd and belongs to the Shyam Steel Group of Kolkata. In September 2014, SFPPL tied up with ITC for sales to ITC's Finger Snacks division of its namkeen ready to eat products under ITC's technical assistance in North-East India. As per the agreement, SFPPL shall manufacture ITC brand finger snacks namely, "Bingo! Mad Angles (BMA)", "Bingo! Tedhe Medhe (BTM)" and "Bingo! Tangles (BTG)" and any other finger snacks under the brand. The company started operations with manufacturing BTM and presently, it is manufacturing BTM and BMA.

### Financials of SFPPL (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Audited
Total Income	74.53	75.59
EBITDA	9.36	12.57
PAT	4.14	6.92
Total Debt	2.51	2.25
Tangible Net worth	51.06	54.46
EBITDA Margin (%)	12.56	16.63
PAT Margin (%)	5.55	9.16
Overall Gearing Ratio (x)	0.05	0.04

\*Classification as per Infomerics' standards.

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

**Any other information: Nil**



## Press Release

### Rating History for last three years:(Rs. Crore)

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit (Proposed)	Long Term	15.00	IVR BBB+(CE); Stable Unsupported : IVR BB under Credit watch with developing implications	IVR BBB+(CE) ; Stable Unsupported: IVR BB; Stable (Sept. 04, 2020)	-	-
2.	Fund Based/Non-Fund Based	Long Term/Short Term	35.00	IVR BBB+(CE); Stable/ IVR A2 (CE) Unsupported : IVR BB under Credit watch with developing implications	IVR BBB+(CE) ; Stable Unsupported: IVR BB; Stable (Sept. 04, 2020)	-	-

*\* Based on Shortfall Undertaking from Shyamsree Food Processing Pvt Ltd*

### Name and Contact Details of the Rating Analyst:

Name: Mr. Sanmoy Lahiri	Name: Mr. Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: <a href="mailto:slahiri@infomerics.com">slahiri@infomerics.com</a>	Email: <a href="mailto:apodder@infomerics.com">apodder@infomerics.com</a>

### 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 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.



## Press Release

**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	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits - Cash Credit (proposed)	-	-	-	15.00	IVR BBB+(CE); Stable Unsupported: IVR BB under Credit watch with developing implications
Fund Based/Non-Fund Based	-	-	-	35.00	IVR BBB+(CE); Stable/ IVR A2 (CE) Unsupported: IVR BB under Credit watch with developing implications

*\*Based on Shortfall Undertaking from Shyamsree Food Processing Pvt Ltd*

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable.

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Lender-SIPL-19-11-21.pdf>

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





## Press Release

### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit (proposed)	Complex
2.	Fund Based/Non-Fund Based	Complex

**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).

