



## Press Release

### Shyam Indus Power Solutions Private Limited (SIPSPL)

**December 20, 2024**

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facilities – Cash Credit	60.00 (Reduced from Rs. 65.60 crore)	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	185.00 (Reduced from Rs.255.50 crore)	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Long Term Proposed	76.00	IVR BBB/ Stable Outlook (IVR Triple B with Stable Outlook)	-	Assigned	Simple
<b>Total</b>	<b>321.00 (Rupees Three Hundred and Twenty-One Crore Only)</b>				

**Details of Facilities/Instruments are in Annexure 1.**

**Facility wise lender details are at Annexure 2.**

**Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the Bank facilities of Shyam Indus Power Solutions Private Limited (SIPS) considers stable growth in the revenue and profitability during FY24 and H1FY25. The rating derives comfort from experienced promoters and management, healthy order book reflecting medium-term revenue visibility and moderate capital structure and debt protection metrics. However, these rating strengths remain constrained by tender driven nature of business in highly fragmented & competitive construction sector, inherent risk as an EPC contractor and susceptibility of operating margin to volatile input prices and larger than expected exposure to Subsidiaries and JVs

The Stable Outlook is based on the basis of experienced promoters and management & healthy order book reflecting medium-term revenue visibility.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Growth in scale of operations with further improvement in profitability on a sustained basis.
- Manage working capital requirements efficiently with improvement in liquidity position.

#### **Downward Factors**

- Moderation in scale of operations or profitability impacting the liquidity profile.
- Moderation in the capital structure.

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

#### **Key Rating Strengths**

##### **Experienced promoters and management**

SIPS is promoted by Major Satya Pal Sindhu (Retd.) who is the founder and managing director of the company. He is an Electrical Engineer with proven management skills with over 20 years of experience in managing businesses.

Moreover, SIPS is managed by qualified professionals having the requisite technical knowledge and skills thereby providing synergistic advantage to the company in terms of successful project execution.

##### **Healthy order book reflecting medium-term revenue visibility**

The company has a healthy unexecuted order book of Rs. 818.63 Crore as on October 31, 2024, which is 2.12x of its TOI for FY24. The unexecuted order book is to be executed within next 1-2 years, thereby providing the company with near to medium term revenue visibility. Scope of work includes electrical (turnkey sub-station, HV transmission and distribution, OHE,) and civil (bridge, earth and drain work) EPC spread across North India, Madhya Pradesh, Chhattisgarh, Bihar and Odisha.



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### **Moderate capital structure and debt protection metrics**

The company has a comfortable capital structure with overall adjusted gearing ratio being 0.75x as on March 31, 2024. Further the company's debt protections parameters are also comfortable, marked by interest coverage ratio of 1.73x and DSCR at 1.39x as on March 31, 2024.

### **Key Rating Weaknesses**

#### **Tender driven nature of business in highly fragmented & competitive construction sector with susceptibility of operating margin to volatile input prices**

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the company's ability to successfully bid for the tenders as the entire business is tender based. The domestic infrastructure sector is highly fragmented, marked by the presence of many players with varied statures & capabilities. A boom in the infrastructure sector, a few years back, resulted in an increase in the number of players. While the competition is perceived to be healthy, a significant price cut by a few players during the bidding process is a matter of serious concern for the users with respect to quality of output. SIPSPL faces direct competition from various organized and unorganized players in the market.

Major raw materials used in civil construction activities are steel & cement and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales. As the raw material prices & labour (including subcontracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including subcontracting) cost. However, the presence of price variation clause on eligible project mitigates the risk to some extent.



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### **Working Capital intensive nature of operations**

The company has working capital intensive nature of operations as the operating cycle is high at 260 days in FY24 owing to nature of business as well as certain delay in payments from various government agencies. Accordingly, the debtor and inventory days stood high at 199 days and 160 days respectively in FY24.

### **Larger than expected exposure to Subsidiaries and JVs**

The company has made various investments in subsidiaries and JVs through Equity and Loan totaling to Rs. 46.58 crore as on March 2024. Some of the exposures are necessitated owing to business requirements while others are in unrelated fields. Infomerics expects the exposure to remain at similar levels going forward though any substantial and larger than expected outflow towards unrelated businesses will be credited negative.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Adequate**

SIPS's liquidity position is adequate marked by expectation of sufficient cushion in cash accruals vis-à-vis its debt repayment obligations in the next 3 years. The average working capital utilization for the last 12 months ended September stood at ~81% for its fund-based limits. The Current Ratio of the company stood adequate at 2.00x as on 31-Mar-2024. The unencumbered cash and bank balance as on 31-Mar-2024 is Rs. 10.61 crore.



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### About the Company

Shyam Indus Power Solutions Private Limited (SIPS), incorporated in 2003, is an engineering, procurement, and construction (EPC) contractor wherein it undertakes projects to install and lay down infrastructure (including civil works) for power distribution and transmission companies in India. SIPS offers services such as railways electrification, railways civil work distribution, transmission, franchise management, metering and power generation projects, civil and power trading. The Company caters to the requirements of engineering and design, project management construction supervision, railway electrification, signaling and telecommunication industries.

### Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	298.89	386.80
EBITDA	27.58	36.89
PAT	12.59	15.52
Total Debt	117.96	151.07
Tangible Net worth	288.03	303.97
Adjusted Tangible Net Worth	191.30	202.39
EBITDA Margin (%)	9.23	9.54
PAT Margin (%)	4.11	3.93
Overall Gearing Ratio (x)	0.62	0.75
Interest Coverage (x)	1.77	1.73

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Nil**



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### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in T-3
					Date (November 22, 2023)	Date (January 31, 2023)	Date (Month XX, 20XX)
1.	Fund Based Bank Facility – Cash Credit	Long term	60.00	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB-/ Stable	-
2.	Non-Fund Based Bank Facility – BG	Short Term	185.00	IVR A3+	IVR A3+	IVR A3	-
3.	Proposed	Long Term	76.00	IVR BBB/ Stable	-	-	-

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### About Infomerics:

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.





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For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	60.00	IVR BBB/ Stable
Bank Guarantee	-	-	-	-	185.00	IVR A3+
Proposed	-	-	-	-	76.00	IVR BBB/ Stable

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Shyam-Indus-20dec24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

Name of the Security	Detailed Explanation
<b>Financial Covenant</b>	
i.	
ii.	
<b>Non-financial Covenant</b>	
i.	
ii.	

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**



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**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).

