



## Press Release

### **Sharad Constructions Private Limited (SCPL)**

**January 30, 2024**

#### **Ratings:**

<b>Instrument / Facility</b>	<b>Amount (INR Crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><a href="#">Complexity Indicator</a></b>
Long Term Fund Based Bank Facility - OCC	2.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Short Term Non-Fund Based Bank Facility - Bank Guarantee	58.00	IVR A4+ (IVR A Four Plus)	Assigned	Simple
<b>Total</b>	<b>60.00</b>	<b>Rupees Sixty Crores Only</b>		

#### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale:**

The rating assigned to the bank facilities of Sharad Constructions Private Limited (SCPL) derives strength from experienced promoters & qualified management team, proven project execution capability and reputed clientele, comfortable capital structure.

The rating however is constrained by thin profitability, moderate order book reflecting medium term revenue visibility, highly fragmented and competitive nature of the construction sector with significant price war.

#### **Key Rating Sensitivities:**

#### **Upward Factors:**

- Growing revenue YoY and improving the profitability margins.
- Improving the order book reflecting the long-term revenue visibility.
- Successful commissioning and completion of the projects without time or cost overruns.



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### **Downward Factors:**

- Sharp changes in leverage leading to the weakening of financial risk profile.
- Decline in profitability and elongation in operating cycle.

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths:**

##### **Experienced promoters & Qualified management team**

The promoters, Mr. Chandrakant D Mehtalia, has around six-decades experience in the construction sector and Mr Vatsal Mehtalia and Mr. Nilay Mehtalia have around 10 years of experience each in the field. They bring with them the wealth of expertise and experience on projects including the construction of jetty's, caissons, and heavy foundations for steel mills, skyscrapers, Effluent Treatment Plant (ETP), etc. At any point of time 8-10 sites are ongoing which are managed by Senior and well qualified staff with requisite experience of many years in the field. Most of their senior management team is developed in-house and have been with the company for more than 3 decades.

##### **Proven project execution capability and reputed clientele**

Over the past years, the company has successfully completed many projects across Maharashtra, Gujarat, Madhya Pradesh, Goa, Telangana and Karnataka and ensured timely completion of majority of its projects. The repeat orders received from its clientele validate its construction capabilities. The company has built up a strong clientele over the years, which is constantly expanding. Some of the reputed clients served by the company are Aarti Industries Limited, Lupin Limited, Saint Gobain Group, Suzlon Energy Limited, Glenmark Pharmaceuticals Limited, UPL Limited, ZCL Chemicals Limited etc. With such reputed clientele company expects constant flow of orders and to maintain its steady growth.

##### **Comfortable capital structure**



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SCPL's capital structure remained comfortable in FY23. Overall gearing and TOL/TNW stood at 0.59x and 1.83x respectively as on March 31, 2023 as compared to 0.59x and 1.51x respectively as on March 31, 2022. Similarly, interest coverage stood strong at 4.76x in FY23. This is due to the company has availed only non-fund-based facilities and no term facilities has been availed by the company.

### **Key Rating Weaknesses:**

#### **Thin Profitability:**

Though the company has comfortable capital structure but the company's performance is reflecting to be modest in terms of EBITDA and PAT margins. The EBITDA margin stands at 1.29% in FY23, 1.68% in FY22 and 1.28% in FY21. The PAT margin is 1.11% in FY23 as against 0.93% in FY22 and 0.83% in FY21. This shows the company may bound to the solvency risk in case leverage on borrowed funds is increased over the term.

#### **Moderate order book reflecting medium-term revenue visibility.**

The company has a moderate unexecuted order book of ~ Rs 74.26 crore as of December 2023 indicating a medium-term revenue visibility. Out of which most of the projects are expected to complete by the mid of FY2025. The same has been substantiated by the company saying that the projects would be revolving from the same client and there would always be 8-10 projects on going in hand at any point of time.

#### **Highly fragmented & competitive nature of the construction sector with significant price war**

The domestic infrastructure/construction sector is highly crowded with 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 can affect the company in winning the contracts.

### **Analytical Approach:** Standalone



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### Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of assigning Rating Outlook](#)

### Liquidity-Adequate

The company has been sanctioned a cash credit limit of Rs 2 Cr which remains unutilized. The company has a current ratio of 1.71x and Quick ratio of 0.93x as on 31-Mar-2023. Operating Cycle deteriorated to 128 days in FY23 from 94 days in FY22 mainly due to increase in the inventory period in FY23. The company GCA stands at 1.24 crores in FY23, but no repayment obligations as the company is operating on non-fund facilities. The company is having cash and bank balance of Rs. 1.08 Crores in FY23 as against Rs.1.18 Crores in FY22.

### About the Company:

Sharad Constructions Private Limited (SCPL) is incorporated as a private limited company in the year 1985. SCPL is a Project Construction Company, primarily working on varied industrial projects. Pharmaceuticals, Chemicals, Agrochemical, Petrochemicals, Fertilizer Plants, Manufacturing, Heavy Engineering, High Rise, Residential, Malls, IT parks, Resorts, College & Hostels, Satellite Communications, Aircraft Hangers, Infrastructure etc all types of projects have been executed over the years. With having large experience in Industrial projects Sharad Constructions has a significant presence in Western India with projects ongoing in Maharashtra, Gujarat, Goa and Madhya Pradesh.

### Financials: Standalone

For the year ended / INR Crore*	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	94.17	92.57
EBITDA	1.58	1.19
PAT	0.88	1.04
Total Debt	16.65	17.44
Tangible Net Worth	28.33	29.39
<b>Ratios</b>		



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EBIDTA Margin (%)	1.68	1.29
PAT Margin (%)	0.93	1.11
Overall Gearing Ratio (x)	0.59	0.59

*\*Classification as per Infomerics' standards*

### Status of non-cooperation with previous CRA:

CRISIL in its press release published on July 27, 2023 continued to classify the rating under "Issuer Not Cooperating" due to non-availability of adequate information to review the ratings.

**Any other information:** Not Applicable

### Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund Based Bank Facility- OCC	Long Term	2.00	IVR BB+/ Stable	-	-	-
2.	Short Term Fund Non-Based Bank Facility- Bank Guarantee	Short Term	58.00	IVR A4+	-	-	-

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



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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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### Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facility- OCC	-	-	-	2.00	IVR BB+/Stable
Short Term Non-Fund Based Bank Facility – Bank Guarantee	-	-	-	58.00	IVR A4+

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

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

<https://www.infomerics.com/admin/prfiles/len-sharad-jan24.pdf>

**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](http://www.infomerics.com)