Press Release

Shivakriti International Limited (SIL)

August 29, 2024

Rating

Security / Facility	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	195.95	IVR BBB+; Stable and Withdrawn (IVR Triple B Plus with stable outlook and simultaneously Withdrawn)	IVR BBB+; Stable (IVR Triple B Plus with stable outlook)	Reaffirmed and simultaneously Withdrawn	Simple
Total	**195.95 (Rupees one hundred and ninety-five crore and ninety-five lakhs only)**				

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

The reaffirmation of rating assigned to the bank facilities of Shivakriti International Limited (SIL) continues to consider extensive experience of the promoters in railway infrastructure development, proven project execution capability, reputed clientele albeit moderate customer concentration risk and strong order book reflecting satisfactory near to medium-term revenue visibility. Further, the rating also note sustained growth in scale of operation of the company and comfortable capital structure with healthy debt protection metrics. These rating strengths are partially offset by susceptibility of operating margin to volatile input prices, presence in highly fragmented & competitive construction sector. The stable outlook reflects expected stable business performance of the company marked by company's established business profile driven by its strong customer profile and healthy order book position.

Infomerics Ratings has simultaneously withdrawn the rating assigned to the bank facilities of SIL with immediate effect. The above action has been taken at the request of the company and No Objection Certificate (NOC) from the lenders of the facilities rated by Infomerics Ratings. The rating is being withdrawn in accordance with Infomerics' Policy on Withdrawal of ratings.

Key Rating Sensitivities: Not Applicable as rating is withdrawn.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters in railway infrastructure development

Mr. S D Sharma, present Chairman & Managing Director (CMD) has more than six decades of experience in the business of executing railway infrastructure projects and currently looks after the strategic decision making of SIL. Mr. S.D. Sharma is ably supported by second line of management which includes his son, Mr. Aditya Awasthi (Director) and his relative Mr. Dinesh Sharma (Director). Mr Aditya Awasthi, is a Bachelor of Engineering by qualification who has around 17 years of experience in this industry and looks after finance, material procurement and business development functions of the company. Mr Dinesh Sharma is a Bachelor of Engineering by qualification having around two decades of experience in infrastructure development industry. He looks after the project execution division of the company. The directors are assisted by a team of experienced professionals across different functions that have experience in the railway infrastructure development industry.

Proven project execution capability

Over the past years, the entity has successfully completed many projects across locations like Ahmedabad, Jhansi, Ludhiana, Jharsugda, Varansai, etc. in the direct construction space. In order to manage the projects in a better way, the entity has a policy to apply for short to medium duration projects (1-3 years) and handle limited number of projects at a time to ensure timely completion. The repeat orders received from its clientele validate its construction capabilities.

Reputed clientele albeit moderate customer concentration risk

Over the years, SIL has developed sound experience by virtue of its long-standing presence in the railway infrastructure development sector. Apart from various divisions of Indian Railways, the company has executed works for reputed players like Delhi Metro Rail Corporation Limited, Vedanta Limited, Reliance Infrastructure Limited, Bombardier Transportation India Limited, Adani group, Hindustan Zinc Limited and Container Corporation of India Limited among others. The top five customers accounted for~ 44% of its revenues in FY2024 (FY refers to the period from April 01 to March 31), exposing the company to moderate customer concentration risk. Nonetheless, the majority of the customers are reputed government entities which reduces counterparty risk.

Strong order book reflecting satisfactory near to medium-term revenue visibility

The company has a strong order book position of Rs. 1302.27 crore as on April 30, 2024, which is about 4.30 times of its FY24 (Prov.) revenue. The orders are expected to be completed within next one-three years, indicating a satisfactory medium term revenue visibility. Moreover, in all the large projects under execution from Indian Railways, there is a built-in price variation clause which mitigates the risk arising due to adverse movements in raw material prices like cement, steel, telecom and signalling materials as well as labour charges.

Consistent growth in scale of operation

The total operating income (TOI) grew from Rs.200.29 crore in FY23 to Rs.303.14 crore in FY24 (Prov.) registering a y-o-y growth of ~51%. The growth in revenue is driven by timely execution of higher orders by the company. With rise in TOI, the absolute EBITDA has also increased from Rs.19.11 crore in FY23 to Rs.31.82 crore in FY24 (Prov.). The EBITDA margin of the company remained satisfactory and improved to 10.50% in FY24 (Prov.) from 9.54% in FY23 due to execution of higher margin contracts and higher absorption of fixed overheads. The PAT margin has also improved to 6.24% in FY24 (Prov.) from 5.35% in FY23 underpinned by rise in absolute EBITDA.

Comfortable capital structure with healthy debt protection metrics

The capital structure of the company remained comfortable as on the past three account closing dates marked by its comfortable leverage ratios. The long-term debt equity ratio and overall gearing ratio remained comfortable at 0.03x and 0.36x respectively as on March 31, 2024 (Prov.) improving from 0.07x and 0.45x respectively as on March 31, 2023. The improvement in capital structure is driven by scheduled repayment of equipment loan and accretion of profit to reserves. Total indebtedness of the company marked by Total Outside Liabilities/ Adjusted Tangible Net worth has also remained comfortable and stood at 0.88x as on March 31, 2024 (Prov.) (1.11x as on March 31, 2023). Fuelled by improvement in EBITDA and net cash accruals debt protection metrics of the company has also witnessed improvement in FY24.The interest coverage ratio and Total debt to NCA has remained satisfactory at 4.69x (3.26x as on March 31, 2023) and 1.79 years respectively as on March 31, 2024 (Prov.) (3.10x as on March 31, 2023). Total debt to EBITDA also remained comfortable at 1.16x as on March 31, 2024 (Prov.) (2.01x as on March 31, 2023).

Key Rating Weaknesses

Susceptibility of operating margin to volatile input prices

Major raw materials used in road construction activities are steel, cement stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The input prices are generally volatile and consequently the profitability of the company remains susceptible to fluctuation in input prices. However, the presence of escalation clause in most of the contracts protect the margin to an extent.

Presence in highly fragmented & competitive construction sector

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. Rise in number of participants restricts the pricing power of the companies. Further, there is a possibility of irregular and lumpy grants of orders due to the tender-based nature of the business.

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
Policy of Withdrawal of Ratings

Liquidity – Adequate

The liquidity profile of SIL is expected to remain adequate marked by its expected satisfactory cash accrual around ~Rs.29.86 crore to Rs.40.56 crore vis a-vis its debt repayment obligations ranging from Rs.1.00 crore to Rs.1.95 crore during FY25-FY27. Further, SIL has no planned capex or plan for availment of long-term debt which imparts comfort. Further, on the back of its comfortable capital structure, the company has adequate gearing headroom. Average working capital utilisation was comfortable at ~68% during last 12 months ending in April 2024, which imparts adequate liquidity buffer.

About the Company

Shivakriti International Limited (SIL) was incorporated in May, 2005 by Mr. S D Sharma. The company is mainly engaged in infrastructure development with primary focus on railway infrastructure. The company is primarily engaged in executing projects related to laying of tracks, railway signalling, and telecommunication works. SIL is also an approved consultant for design and construction of railway sidings, with various zones of the Indian Railways. It also provides various services for development of railway network for core sector industries in both public and private sector.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	200.29	303.14
EBITDA	19.11	31.82
PAT	10.89	19.04
Total Debt	38.34	37.02
Tangible Net Worth	84.78	103.78
EBITDA Margin (%)	9.54	10.50
PAT Margin (%)	5.35	6.24
Overall Gearing Ratio (x)	0.45	0.36
Interest Coverage (x)	3.26	4.69

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: The ratings of Shivakriti International Limited has been continued to be classified under Issuer Not Cooperating category by Brickwork ratings as per Press Release dated May 22, 2024, due to unavailability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-2025)				Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Aug 07, 2024	June 13, 2023	-	-
1.	Term Loans	Long Term	1.95	IVR BBB+; Stable; Withdrawn	IVR BBB+; Stable	IVR BBB+; Stable	-	-
2.	Cash Credit	Long Term	40.00	IVR BBB+; Stable; Withdrawn	IVR BBB+; Stable	IVR BBB+; Stable	-	-
3.	Bank Guarantee	Long Term	154.00	IVR BBB+; Stable; Withdrawn	IVR BBB+; Stable	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.

For more information and definition of ratings please visit www.infomerics.com.

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
Term Loans	-	-	-	Mar 2025	1.95	IVR BBB+; Stable; Withdrawn
Cash Credit	-	-	-	-	40.00	IVR BBB+; Stable; Withdrawn
Bank Guarantee	-	-	-	-	154.00	IVR BBB+; Stable; Withdrawn

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Shivakriti-aug24.pdf

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

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.