



Press Release

Shreeji Infrastructure India Private Limited

July 05, 2024

Ratings

Security / Facility	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	44.00	IVR BBB+; Stable (IVR Triple B Plus with Stable Outlook)	IVR BBB+; Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	320.00	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	Reaffirmed	Simple
Long Term/ Short Term Bank Facilities - Proposed	20.00 (reduced from 22.00)	IVR BBB+; Stable/ IVR A2 (IVR Triple B Plus with Stable Outlook/ IVR A Two)	IVR BBB+; Stable/ IVR A2 (IVR Triple B Plus with Stable Outlook and IVR A Two)	Reaffirmed	Simple
Long Term Bank Facilities	15.00	IVR BBB+; Stable (IVR Triple B Plus with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities	15.00	IVR A2 (IVR A Two)	-	Assigned	Simple
Total	414.00 (Rupees four hundred and fourteen crore 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

Infomerics Ratings has reaffirmed the ratings assigned to the bank facilities of Shreeji Infrastructure India Private Limited (SI IPL) 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 FY24 (Provisional) (FY refers to the period April 01 to March 31). Further, the ratings also factor in SI IPL's established track record of operation under experienced promoters, satisfactory order book reflecting satisfactory medium-term revenue



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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.

The stable outlook reflects expected stable business profile of the company over the medium term on account of its established business profile driven by its strong customer profile and healthy order book position.

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

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

SIIPL's order book stood at around Rs.2124.40 crore as on May 31, 2024 (~3.77 times of the revenues in FY2024), which provides adequate revenue visibility in the near to medium term.

Reputed client profile, leading to low counterparty risk



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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

SIPL's total operating income increased by ~2% y-o-y in FY24 (Prov.) to Rs.563.35 crore from Rs.552.05 crore in FY23 due to timely execution of existing orders. EBITDA margin moved in line with the topline and improved to 7.53% in FY24 (Prov.) from 7.32% in FY23. The improvement in EBITDA margin is driven by better absorption of fixed overhead. PAT margin moved in tandem with EBITDA margin and improved from 4.12% in FY23 to 4.60% in FY24 (Prov.) Net cash accruals also improved to Rs.39.73 crore in FY24 (Prov.) from Rs.35.85 crore in FY23. 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 0.78x as on March 31, 2024 (prov.), as against overall gearing at 0.94x as on March 31, 2023. The improvement in overall gearing is due to accretion of profit to reserves. TOL/TNW has also remained stable and stood at 2.00x as on March 31, 2024 (prov.) against 2.06x as on March 31, 2023. SIPL's net worth continuously improved year on year basis and stood at Rs. 205.92 crore as on March 31, 2024 (Prov.) (Rs.169.50 crore as on March 31, 2023). Interest coverage ratio improved in FY24 (Prov.) to 2.84x as against 2.78x in FY23 on account of increase in absolute EBITDA.

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



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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-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 statutes 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 respectively. Moreover, SIPL already extended corporate guarantee to SBMRPPL and SHBRPPL and is also planning to extend corporate guarantee to SRNRPPL. Infomerics



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Ratings has considered the consolidated business and financial risk profile of SI IPL and its subsidiaries and associates as these entities are linked through a parent-subsidary relationship, common shareholders and collectively have same management with business and financial linkages. List of companies considered for consolidation is given in Annexure 4.

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 FY25-FY26. 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 May 2024 stands at ~78% 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 Maouganj Road Project Pvt Ltd (SBMRPPL) and Shreeji Haidergarh Begamganj Road Project Pvt Ltd (SHBRPPL) as Special purpose vehicles (SPV).

SI IPL has also been awarded a project for road construction by National Highway of India (NHAI) on Hybrid Annuity Model (HAM) basis in May 2023 for which the company has floated



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subsidiaries - Shreeji Raghogarh Nanasa Road Project Pvt Ltd (SRNRPPL) 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 (Consolidated):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	552.05	563.35
EBITDA	40.63	43.20
PAT	23.43	36.37
Total Debt	158.76	161.38
Tangible Net Worth	169.50	205.92
EBITDA Margin (%)	7.36	7.67
PAT Margin (%)	4.11	6.09
Overall Gearing Ratio (x)	0.94	0.78
Interest Coverage (x)	2.78	2.84

* 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, 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 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					March 12, 2024	March 15, 2023	Jan 04, 2022
1.	Cash Credit	Long Term	44.00	IVR BBB+; Stable	IVR BBB+; Stable	IVR BBB+; Stable	IVR BBB+; Stable
2.	Cash Credit	Long Term	15.00	IVR BBB+; Stable	-	-	-
3.	Bank Guarantee	Short Term	320.00	IVR A2	IVR A2	IVR A2	IVR A2
4.	Bank Guarantee	Short Term	15.00	IVR A2	-	-	-
5.	Proposed Fund Based/ Non-Fund Based Limits	Long Term/Short Term	20.00	IVR BBB+; Stable/ IVR A2	IVR BBB+; Stable/ IVR A2	IVR BBB+; Stable/ IVR A2	IVR BBB+; Stable/ IVR A2

Analytical Contacts:



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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.

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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
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Long Term Fund Based Limits – Cash Credit	-	-	-	-	59.00	IVR BBB+; Stable
Short term Non-Fund Based Limits – Bank Guarantee	-	-	-	-	335.00	IVR A2
Long Term/ Short Term Fund Based/ Non-Fund Based Limits	-	-	-	-	20.00	IVR BBB+; Stable/ IVR A2

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Shreeji-Infrastructure-july24.pdf>

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

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

Sl. No.	Name of Group companies	Nature of relationship	Holding by SIPL
1	Shreeji Buildcon India Pvt Ltd	Subsidiary	63.00%
2	Vicon Imperial India Pvt Ltd	Associates	24.00%
3	Shreeji Badwar Maouganj Road Project Pvt Ltd	Subsidiary	99.99%
4	Shreeji Haidergarh Begamganj Road Project Pvt Ltd	Subsidiary	99.99%
5	Shreeji Raghogarh Nanasa Road Project Pvt Ltd	Subsidiary	99.99%

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.