



Press Release

Shreeji Infrastructure India Private Limited (SIPL)

March 15, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Fund Based Bank Facilities – Cash Credit	24.00 (Increased from 19.00)	IVR BBB+/ Stable (IVR triple B plus with Stable Outlook)	Reaffirmed
Short Term Non Fund Based Bank Facilities – Bank Guarantees	290.00 (Reduced from 321.22)	IVR A2 (IVR A two)	Reaffirmed
Proposed Long Term/ Short Term Bank Facilities	72.00 (Increased from 45.78)	IVR BBB+/ Stable/ IVR A2 (IVR triple B plus with Stable Outlook and IVR A two)	Reaffirmed
Total	386.00 (Rupees Three Hundred and Eighty-Six Crore Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Shreeji Infrastructure India Private Limited (SIPL) continue to factor long experience of promoters and established track record of operations, reputed client profile, healthy order book position provides adequate revenue visibility and stable financial profile in FY22. The ratings, however, are constrained by the decline in key profitability indicators in FY22, high geographical and sectoral concentration risks and competitive nature of industry due to tender-based order awarding system.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in the scale of operations along with improved profitability, leading to healthy cash accruals and improved liquidity position on a sustained basis.

Downward Factors

- Significant decline in the revenue and profits of the company and/ or an increase in the working capital intensity of operations.
- Delay in order execution, which may adversely impact the financial risk profile.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long experience of promoters and established track record of operations

The company was incorporated in March 1999. It is engaged in civil construction business for more than two decades. Long experience of SIPL's promoters and its established track record of operations strengthens the operational risk profile of the company. The company has executed several projects for various government and semi-government departments in the past. The company's day-to-day operations are looked after by the promoters, along with a team of experienced professionals.

Reputed client profile, leading to low counterparty risk

Over the years, the company has executed several civil construction projects for various government departments and entities like the National Highway Authority of India, Public Works Department, Larsen & Toubro Ltd., Chhattisgarh Road Development Corporation Limited, Madhya Pradesh Road Development Corporation Limited, Indian Railways etc. SIPL also undertakes work contracts from few reputed private players like Adani Infrastructure Private Limited and Welspun Enterprise Limited. The presence of orders from such reputed clientele translates to low counterparty risk.

Healthy order book position provides adequate revenue visibility

SIPL's order book stood at around Rs. 2033 crore as on December, 2022 (~6.45 times of the revenue registered in FY22), which provides adequate revenue visibility in the near to medium term. Infomerics notes that the company's ability to scale up resources both in terms of machinery and manpower for successful execution of the current healthy order book in due time will remain a key rating factor, going ahead.



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Stable Financial Profile in FY22

SI IPL's total operating income increased by 15% on Y-o-Y basis in FY22, due to flow of new orders coupled with better execution of existing orders. Capital structure of the SI IPL remained stable with overall gearing at 0.70x as on March 31, 2022, against overall gearing of 0.72x as on March 31, 2021. Interest coverage ratio had moderated marginally in FY22 on account of increase in interest expense and decrease in EBITDA, however remained comfortable at 2.41x (3.06x in FY21). SI IPL's net worth improved Y-o-Y basis to Rs.144.05 crore as on March 31 2022 (Rs.130.89 as on March 31, 2021).

Key Rating Weaknesses

Decline of key profitability indicators in FY22 albeit Improvement in 9MFY23

SI IPL's EBITDA margin reduced by 364 bps in FY22 to 6.74% (10.38%) mainly due to increase in prices of raw materials which includes prices of steel, cement, bitumen and diesel. PBT and PAT declined to Rs.17.86 crore (Rs.24.82 Crore), Rs.13.10 crore (Rs.18.49 crore) respectively in FY22 on account of increase in finance cost, operational expenses and raw material prices. In recent result, SI IPL reported top line of Rs.302 crore during 9MFY23 with EBITDA margin and PAT margin of 13.21% and 7.18% respectively.

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 which includes Bihar and Uttar Pradesh, the proportion of the same in the revenue and order book remains low, exposing SI IPL 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.

Competitive nature of industry due to tender-based order awarding system

SI IPL procures orders through tenders. Entities that meet the technical qualification criteria qualify for financial bidding, and subsequently the contract is awarded to the lowest (L1)



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bidder. Due to such tender-based order procurement, the company faces stiff competition, which exerts pressure on margins.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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

Liquidity – Adequate

The liquidity position of the company is adequate on account of the fact that the expected gross cash accruals of the company are likely to remain favourable relative to its debt-servicing obligations during FY23-FY25. Moreover, the company does not have any major capital expenditure plan in the near to medium term. This is expected to support the company's liquidity position. Further, company has reported adequate current ratio at 1.20x as on March 31, 2022 to meet its near-term cash requirements. SI IPL's consolidated average working capital utilization for twelve months ended November 2022 stands at 80%. SI IPL has cash and bank balance of Rs. 74.42 crore as on March 31st 2022.

About the Company

Incorporated in 1999, Shreeji Infrastructure India Private Limited (SI IPL) is a civil contractor and is involved in the construction of roads, bridges, buildings and other civil work primarily in Chhattisgarh and Madhya Pradesh.

Financials (Standalone):

Rs in Crore

For the Year ended*/As on	31-March-21 (Audited)	31-March-22 (Audited)
Total Operating Income	274.77	315.02
EBITDA	28.52	21.23
PAT	18.49	13.10
Total Debt	94.76	100.76
Tangible Net Worth	130.89	144.05
EBITDA Margin (%)	10.38	6.74
PAT Margin (%)	6.42	3.94
Overall Gearing ratio(X)	0.72	0.70



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Status of non-cooperation with previous CRA:

India Rating in their press release dated May 17, 2022 has continue to classify the case under issuer not cooperating status on account of non-submission of relevant information.

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (January 4, 2022)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	24.00	IVR BBB+/Stable	IVR BBB+/Stable	-	-
2.	Bank Guarantee	Short Term	290.00	IVR A2	IVR A2	-	-
3.	Proposed Long Term/ Short Term Bank Facilities	Long/ Short Term	72.00	IVR BBB+/Stable / IVR A2	IVR BBB+/Stable / IVR A2	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment



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opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit – I	-	-	-	4.00	IVR BBB+/ Stable
Cash Credit – II	-	-	-	5.00	IVR BBB+/ Stable
Cash Credit – III	-	-	-	5.00	IVR BBB+/ Stable
Cash Credit – IV	-	-	-	10.00	IVR BBB+/ Stable
Bank Guarantee – I	-	-	-	45.00	IVR A2
Bank Guarantee – II	-	-	-	21.22	IVR A2
Bank Guarantee – III	-	-	-	33.78	IVR A2



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Bank Guarantee – IV	-	-	-	190.00	IVR A2
Proposed Limits	-	-	-	72.00	IVR BBB+/ Stable/ IVR A2

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-ShreejiInfra-mar23.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

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.