



## Press Release

### Shreeji Infrastructure India Private Limited (SIPL)

January 4, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	19.00	IVR BBB+/ Stable (IVR triple B plus with Stable Outlook)	Assigned
Short Term Bank Facilities	321.22	IVR A2 (IVR A two)	Assigned
Long Term/ Short Term Bank Facilities	45.78	IVR BBB+/ Stable/ IVR A2 (IVR triple B plus with Stable Outlook and IVR A two)	Assigned
<b>Total</b>	<b>386.00</b> <b>(Three hundred and eighty-six crore)</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to bank facilities of Shreeji Infrastructure India Private Limited (SIPL) considers long experience of promoters and established track record of operations, reputed client profile, healthy order book position provides adequate revenue visibility and favourable financial profile characterised by a conservative capital structure and comfortable coverage indicators. The ratings, however, are constrained by the steady decline in the topline and cash accruals over the past few years, 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 maintaining its 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**

The company undertakes work contracts mainly for the Government departments and few reputed private players. 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. The counterparty risk is also low because of a reputed client base.

- **Healthy order book position provides adequate revenue visibility**

SIPL's order book stood at around Rs. 1793 crore as on December 1, 2021 (~6.5 times of the revenues in FY2021), 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.

- **Favourable financial profile characterised by a conservative capital structure and comfortable coverage indicators**

The financial risk profile of the company is comfortable marked by satisfactory tangible net worth of Rs. 130.89 crore as on March 31, 2021 as against Rs. 111.54 crore as on March 31, 2020. The capital structure of the company remained conservative, as depicted by a gearing of 0.72 times as on March 31, 2021. The interest coverage indicator stood at a comfortable



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level of 2.95 times in FY2021, increasing from 2.31 times in FY2020 because of an increase in the EBITDA and decrease in the interest expense of the company. The debt coverage indicators, as depicted by the DSCR of 1.68 times as on March 31, 2021.

### **Key Rating Weaknesses**

- **Steady decline in the topline and cash accruals over the past few years**

The topline of the company has steadily declined over the past years from Rs. 451.95 crore in FY2019 to Rs. 274.77 crore in FY2021 on account of lower execution of the contracts awarded. Consequently, the cash accruals also declined steadily. However, during H1 FY2022 (provisional), the company has achieved a EBITDA of Rs. 21.80 crore on a topline of Rs. 120.09 crore in H1 FY2022 as against an EBITDA of Rs. 13.20 crore on a topline of Rs. 88.00 crore in H1 FY2021, registering a significant y-o-y increase in terms of topline as well as profits. Given the current healthy order book and the pace of execution, Infomerics does not expect any deterioration in the top line as well as cash accruals of the company in the near term.

- **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.

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

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



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**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

**Liquidity – Adequate**

Infomerics notes that SIPL may have high debt-funded capital expenditure plan over the next few years, which will result in high long-term debt service obligations in the near to medium term. Moreover, high receivables along with significant cash margin given against bank guarantees issued to its customers as performance guarantee, and retention money withheld by the clients as per terms of the contracts, would continue to keep its working capital requirement at a high level. However, the cash flows from operation would remain adequate to meet the company's debt servicing obligations. Moreover, low utilisation of the cash credit limit, as reflected by an average utilisation of ~60% in the last 12 months, provides financial flexibility. Besides, free cash of around Rs. 20 crore as on March 31, 2021, supports the liquidity position of the company.

**About the Company**

Incorporated in 1999, Shreeji Infrastructure India Private Limited (SIPL) 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-20 (Audited)	31-March-21 (Audited)
Total Operating Income	307.28	274.77
EBITDA	23.60	28.52
PAT	24.52	18.49
Total Debt	101.06	94.76
Tangible Net Worth	111.54	130.89
EBITDA Margin (%)	7.68	10.38
PAT Margin (%)	7.28	6.42
Overall Gearing ratio(X)	0.91	0.72



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

India Rating has migrated the ratings of Shreeji Infrastructure India Private Limited to the non-cooperating category as the issuer did not participate in the rating exercise despite continuous requests and follow-ups as per the press release dated September 29, 2021.

### Any other information:

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	19.00	IVR BBB+/Stable	-	-	-
2.	Bank Guarantee	Short Term	321.22	IVR A2	-	-	-
3.	Unallocated Limits	Long/ Short Term	45.78	IVR BBB+/Stable / IVR A2	-	-	-

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

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.





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**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### 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	-	-	-	52.44	IVR A2
Bank Guarantee – III	-	-	-	33.78	IVR A2
Bank Guarantee – IV	-	-	-	190.00	IVR A2
Unallocated Limits	-	-	-	45.78	IVR BBB+/ Stable/ IVR A2

\*Sub-limit of Bank Guarantee

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

### Annexure 3: Facility wise lender details

[Shreeji-Infrastructure-lenders-jan22.pdf \(infomerics.com\)](#)



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

**Annexure 5: Complexity level of the rated Instruments/Facilities**

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple
2.	Bank Guarantee	Simple

**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).

