



Press Release

Shri Sourab Sagar Trading Company Private Limited
October 25, 2023

Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	80.00	IVR BBB-/ Stable (IVR Triple B Minus with stable Outlook)	Assigned	Simple
Long Term Bank Facility (Proposed)	65.00	IVR BBB-/ Stable (IVR Triple B Minus with stable Outlook)	Assigned	Simple
Short Term Bank Facilities	5.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	150.00	Rupees One Hundred and Fifty Crores.		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long-term rating of IVR BBB- with a Stable outlook and short-term rating of IVR A3 for the bank loan facilities of Shri Sourab Sagar Trading Company Private Limited (SSSTPL).

The rating assigned to the Shri Sourab Sagar Trading Company Private Limited derives comfort experienced promoters with long track record of operations, improved scale of operations and good order book position and decent debt protection metrics. However, these factors are offset by order execution risk and highly competitive industry.

The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the company's business & financials risk profile will be maintained over the over the medium term. The company has good order book which provides revenue visibility in short to medium term.

IVR has principally relied on the standalone audited financial results of Shri Sourab Sagar Trading Company Private Limited up to FY23, three years projected financials till FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Consistent increase in scale of operations as projected.
- Improvement in the capital structure as marked by overall gearing ratio of below 2.00 x.

Downward Factors

- Delay in execution of time-bound orders.
- Decline in scale of operations and significant deviation from projections.
- Deterioration in profitability margins and cash accruals of the company leading to stretched liquidity.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with long track record of operations:

The company has a good track record of operations for over a decade. The directors of the company, Mr. Amit Jain, Mr. Ajay Kumar and Mr. Sourabh Jain have more than a decade of the experience in trading of construction materials and construction business, they collectively look after the overall operations of the company.

Improved scale of operations and good order book position:

The company's total operating income has increased from Rs. 52.31 crore in FY22 to Rs. 87.92 crore in FY23, on the back of a good order book. The company has total pending orders in hand amounting to ~Rs. 682 crores whereas the major client is NTPC and the company is expecting more orders. All these orders will be executed within the next 12 to 18 months. Good order book position provides revenue visibility in the medium term.

Debt protection metrics:

The debt protection metrics of the company are decent as marked by interest service coverage ratio (ISCR) and debt service coverage ratio (DSCR) of 1.96x in FY23. (PY:1.77 x) and 1.67x in FY23 (PY:1.39x) respectively.

Key Rating Weaknesses

Orders execution risk:

Given the nature of projects awarded mainly through government entity, the company is exposed to inherent risk in terms of delays in execution of certain orders which may arise due to arranging infrastructure and sanction of working capital limits for the completion of orders, resulting in a delay in the realization of revenue growth. In addition to that the company has a low capital base as compared to the size of the order book.

Presence in a highly competitive industry

SSSPTL faces direct competition from various organized and unorganized players in the market. There are a number of small and regional players catering to the same market which has limited the bargaining power of the group and has exerted pressure on its margins. Further, the company majorly undertakes projects which are awarded through the tender-based system. This exposes the group towards risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. This apart, any changes in the government policy or government spending on projects are likely to affect the revenues and profits of the company.

Analytical Approach: For arriving at the ratings, IVR has analysed MIPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodologies for Trading Entities](#)



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Rating Methodology for Services Companies
Financial Ratios & Interpretation Non- Financial Sector
Criteria for assigning rating outlook

Liquidity – Adequate

The liquidity of company remains adequate marked by satisfactory cash accrual of Rs 1.86 Crs with minimal amount of long-term loan repayment in FY23. Going forward its expected cash generation of Rs 38 -Rs 64 crs in FY 24-26 against which repayment of Rs.15- 50 Crs. The company has an adequate current ratio at above 1.17 times and cash equivalents level of ~Rs. 2.53 crore in the form of cash & cash equivalent as on March 31, 2023. The average working capital utilisation of the company remained high above 90% during the past 12 months ended June 2023. However, the same is offset by adequate liquidity. Going forward, in case of substantial increase in revenue, enhancement in bank lines remains critical to efficiently manage liquidity.

About the Company

Shri Sourab Sagar Trading Company Private Limited (SSSTPL) was incorporated in March 2012 as a private limited company having registered address in Delhi. The company provides transportation services, it is & bulk supplier/vendor of construction material (filling sand, fine sand, aggregates, brick and ballast etc), besides provides excavation services over PAN India. The company provides transportation services all over India to NTPC Ltd., besides it is one of the biggest suppliers of ballast to Tata Projects Limited in DFCC (Dedicated Freight Corridor Corporation) projects.

Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	52.31	87.92
EBITDA	3.47	5.12
PAT	1.00	2.03
Total Debt	17.65	23.86
Tangible Net worth	5.38	7.04
EBITDA Margin (%)	6.63	5.82
PAT Margin (%)	1.91	2.30
Overall Gearing Ratio (x)	3.28	3.39

Financials as per Infomerics standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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S. No.	Name of Instrument / Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. 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.	Fund Based	Long Term	80.00	IVR BBB-/ Stable; Assigned	-	-	-
2.	Fund Based (Proposed)	Long Term	65.00	IVR BBB-/ Stable; Assigned	-	-	-
2.	Non-Fund Based	Short Term	5.00	IVR A3; Assigned	-	-	-

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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 visit www.infomerics.com

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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
Long term Bank Facilities – DLOD & WCDL	-	-	-	60.00	IVR BBB-/ Stable
Long term Bank Facilities – WCDL/CC (Proposed)	-	-	-	65.00	IVR BBB-/ Stable
Long term Bank Facilities – CC/OD	-	-	-	20.00	IVR BBB-/ Stable
Short term Bank Facilities – BG				5.00	IVR A3

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Sourab-oct23.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