



Press Release

Shrushti Contech Private Limited (SCPL)

November 13, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	2.49	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Long term Bank Facilities	35.00	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+/Negative; Issuer Not Cooperating* (IVR Double B Plus with Negative Outlook; Issuer Not Cooperating*)	Upgraded, outlook revised and removed from ISSUER NOT COOPERATING category	Simple
Short term Bank Facilities	50.00	IVR A3 (IVR A three)	IVR A4+; ISSUER NOT COOPERATING* (IVR A Four Plus; ISSUER NOT COOPERATING*)	Upgraded and removed from ISSUER NOT COOPERATING category	Simple
Long term Bank Facilities - Proposed	15.00	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+/Negative; Issuer Not Cooperating* (IVR Double B Plus with Negative Outlook; Issuer Not Cooperating*)	Upgraded, outlook revised and removed from ISSUER NOT COOPERATING category	Simple
Short term Bank Facilities - Proposed	52.51	IVR A3 (IVR A three)	IVR A4+; ISSUER NOT COOPERATING* (IVR A Four Plus; ISSUER NOT COOPERATING*)	Upgraded and removed from ISSUER NOT COOPERATING category	Simple
Total	155.00	(Rupees One Hundred and Fifty-Five crore only)			

**Issuer did not cooperate; based on best available information*

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2.

Detailed explanation of covenants is at Annexure 3.



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Detailed Rationale

Infomerics Ratings has upgraded/assigned its rating assigned to the bank facilities of SCPL as it derives its comfort from strong revenue growth with improved operating profitability, a strong order book position, a diversified customer base, and comfortable debt protection metrics. However, these rating strengths remain partially offset by elongated working capital requirements and the competitive and fragmented nature of the industry.

The outlook is “Stable” on account of sustained improvement in total operating income along with the benefit derived from experienced promoter.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations along with profitability on a sustained basis.
- Significant improvement in working capital cycle.

Downward Factors

- Any delays in execution of projects leading to decline in revenue and/or overall decline in profitability leading to deterioration in debt protection metrics.
- Any increase in working capital cycle leading to deterioration in liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Strong revenue growth with improvement in operating profitability**

Shrushti Group revenue has increased by 44% on y-o-y basis to Rs.149.52 crore in FY24(Prov) (period refers from April 01, 2023, to March 31st, 2024) with timely execution of orders. EBITDA margins improved to 16.09% in FY24 (P) (FY23:14.12%) due to strong order execution and operating leverage. Net profit margin improved to 8.13% in FY24, from 5.32% in FY23.



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- **Strong Order Book Position and Diversified Customer Base**

As on 30 September 2024, SCPL has strong order of Rs. 917.51 crore (6x of FY24(P) revenue). These orders are expected to be executed over FY25-FY27 reflecting strong revenue visibility. Furthermore, the order book is well diversified, across all the segments with strong counterparties which consists of NHAI, BHEL and Power Finance Corporation. This diversification signifies a low concentration risk regarding both customers and segments.

- **Comfortable debt protection metrics**

Shrushti Group debt protection metrics remained comfortable, marked by an overall gearing, including quasi equity, of 0.75x as on FY24 (FY23: 1.05x). The adjusted tangible net worth increased to Rs. 65.60 crore in FY24 (FY23: Rs. 44.85 crore) due to accretion of profits to reserve. The interest coverage ratio and total debt to NCA at 3.26x and 3.82 years, respectively, as of FY24 (FY23: 1.53x and 7.47 years).

Key Rating Weaknesses

- **Elongated working capital**

SCPL has elongated working capital reflected by higher collection days of 234 at the end of FY24 (P) (FY23:303) as 60% of the revenue SCPL recorded during 4QFY24. Net working capital cycle stood at 148 days at the end of FY24 (P) (FY23:152 days), with higher creditors days (FY24(P):177, FY23:254). As per management, with diversification of order book collection days are expected to reduce from FY25 onwards and it would be key monitorable.

- **Sector is characterized by a high level of fragmentation and intense competition, leading to substantial price wars.**

The domestic infrastructure and construction sector is densely populated, with numerous players of different sizes and capabilities. The sector experienced a boom in the past, leading to a surge in the number of participants. Although competition is generally considered positive, the concern arises from a few players resorting to



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substantial price reductions during the bidding process, which can potentially impact profit margins.

Analytical Approach: Consolidated

For arriving at the rating, Infomerics has consolidated the business and financial risk profiles of 2 companies Shrushti Contech Private Limited (SCPL) and Sun Shrushti Private Limited (SSPL) moving forward referred as a Shrushti group, as they are in the same lines of business under a common management and have financial linkages & legal linkages as Sun Shrushti Private Limited (SSPL) is the subsidiary of Shrushti Contech Private Limited (SCPL). SCPL has a 90.90% stake in SSPL.

Applicable Criteria:

[Rating methodology for Infrastructure Sector companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post-default Curing Period](#)

[Rating criteria for Consolidation of Companies](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

Shrushti Group is expected to maintain an adequate liquidity profile, as its projected gross cash accrual for FY25-FY27 is estimated to be around Rs. 17-28 crore, which should comfortably cover its debt repayments of Rs. 1.23 crore for FY25 to FY27. The company has modest cash & bank balance of Rs. 6.65 crore as on August 31, 2024. The cash credit utilization stood high at 91% during last twelve months ended October 31, 2024.

About the Company

SCPL is based out of Hyderabad and is into execution of EPC works. It is also into the manufacturing of pre-stressed concrete poles (PSCC). Sun Shrushti Private Limited (SSPL) is the subsidiary of SCPL with an aim to provide sustainable, innovative, and cost-effective solutions across the entire Solar Power Value Chain.



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Financials (Consolidated):

(Rs. crore)		
For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	103.48	149.52
EBITDA	14.61	24.06
PAT	5.68	12.19
Total Debt	47.26	48.87
Tangible Net Worth	52.17	64.50
EBITDA Margin (%)	14.12	16.09
PAT Margin (%)	5.32	8.13
Overall Gearing Ratio (x)	1.05	0.75
Interest Coverage (x)	1.53	3.26

* As per Infomerics Standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type	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
					(August 08, 2023)	(October 03, 2022)	(August 10, 2021)
1.	Long Term Bank Facilities - Cash Credit	Long Term	20.00	- IVR BBB- / Stable Outlook - IVR BB+/ Negative; ISSUER NOT COOPERATING* (Date: Sep 30, 2024)	IVR BBB- / Stable Outlook	IVR BB+; Issuer Not Cooperating*	IVR BBB- / Credit watch with developing implications
2.	Long Term Bank Facilities - Secured Overdraft Loan	Long Term	15.00	- IVR BBB- / Stable Outlook - IVR BB+/ Negative;	IVR BBB- / Stable Outlook	IVR BB+; Issuer Not Cooperating*	IVR BBB- / Credit watch with developing implications



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Sr. No	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type	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
					(August 08, 2023)	(October 03, 2022)	(August 10, 2021)
				ISSUER NOT COOPERATING* (Date: Sep 30, 2024)			
3.	Proposed Long Term Bank Facilities	Long Term	15.00	- IVR BBB- / Stable Outlook - IVR BB+/ Negative; ISSUER NOT COOPERATING* (Date: Sep 30, 2024)	IVR BBB- / Stable Outlook	IVR BB+; Issuer Not Cooperating*	IVR BBB- / Credit watch with developing implications
4.	Short Term Bank Facilities – Bank Guarantee	Short Term	50.00	- IVR A3 - IVR A4+; ISSUER NOT COOPERATING* (Date: Sep 30, 2024)	IVR A3	IVR A4+; Issuer Not Cooperating*	IVR A3
5.	Proposed Short Term Bank Facilities	Short Term	52.51	- IVR A3 - IVR A4+; ISSUER NOT COOPERATING* (Date: Sep 30, 2024)	IVR A3	IVR A4+; Issuer Not Cooperating*	IVR A3
6.	GECL	Long Term	1.21	IVR BBB- / Stable Outlook	--	--	--
7.	Term loan	Long Term	1.28	IVR BBB- / Stable Outlook	--	--	--

*Issuer did not cooperate; based on best available information



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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.

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Annexure 1: Details of Facilities

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities - Cash Credit	-	-	-	-	20.00	IVR BBB-/Stable
Long Term Bank Facilities - Secured Overdraft Loan	-	-	-	-	15.00	IVR BBB-/Stable
Proposed Long Term Bank Facilities	-	-	-	-	15.00	IVR BBB-/Stable
Short Term Bank Facilities – Bank Guarantee	-	-	-	-	50.00	IVR A3
Proposed Short Term Bank Facilities	-	-	-	-	52.51	IVR A3
Long Term Bank Facilities - GECL	-	-	-	15-01-2027	1.21	IVR BBB-/Stable
Long Term Bank Facilities - Term loan	-	-	-	15-12-2026	1.28	IVR BBB-/Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Shrushti-Contech-nov24.pdf>

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

Annexure 4: List of companies considered for consolidated analysis:

Name of the company	Consolidation Approach
Shrushti Contech Private Limited	Full consolidation
Sun Shrushti Private Limited	Full consolidation

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.