



## Press Release

### **Shyam Indus Power Solutions Private Limited (SIPS)**

**November 22, 2023**

#### **Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Long Term Fund Based Bank Facilities – Cash Credit	65.50	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Rating revised	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	255.50	IVR A3+ (IVR A Three Plus)	Rating revised	Simple
<b>Total</b>	<b>321.00</b>			

#### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The rating revision to the bank facilities of Shyam Indus Power Solutions Private Limited (SIPS) considers stable growth in the revenue and profitability during FY23 and H1FY24 Prov. The rating derives comfort from experienced promoters and management, healthy order book reflecting medium-term revenue visibility and moderate capital structure and debt protection metrics. However, these rating strengths remain constrained by tender driven nature of business in highly fragmented & competitive construction sector and Inherent risk as an EPC contractor and susceptibility of operating margin to volatile input prices.

#### **Key Rating Sensitivities:**

##### **Upward Factors**

- Substantial and sustained growth in scale of operations with further improvement in profitability.
- Manage working capital requirements efficiently with improvement in liquidity position.

##### **Downward Factors**

- Moderation in scale of operations or profitability impacting the liquidity profile.
- Moderation in the capital structure.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths:

##### **Experienced promoters and management**

SIPS is promoted by Major Satya Pal Sindhu (Retd.) who is the founder and managing director of the company. He is an Electronic Engineer with an acumen of management skills, he leads a successful business enterprise & also holds the executive positions in many companies. He graduated from National Defence Academy (NDA) & served the nation from 1988 to 2003. After 11 years of Commissioned Service, he started the Company in 2003. Moreover, SIPS is managed by qualified professionals having the requisite technical knowledge and skills thereby providing synergistic advantage to the company in terms of successful project execution.

##### **Healthy order book reflecting medium-term revenue visibility**

The company has a healthy unexecuted order book amounting to of Rs. 757.38 Crore as on September 30, 2023 which is 2.53x of its TOI for FY23 thus providing revenue visibility in near to medium term. Scope of work includes electrical (turnkey subs-station, HV transmission and distribution, OHE) and civil (bridge, earth and drain work) EPC spread across North India, Madhya Pradesh, Chhattisgarh, Bihar and Odisha. The unexecuted order book is to be executed with in next 1-2 years accompanied by bidding for new projects thus indicating a satisfactory near to medium term revenue visibility. Its order book reflects the corporate philosophy of working on specialised projects. Successful execution of the projects has also helped it in getting repeat and large-sized orders.

##### **Moderate capital structure and debt protection metrics**

The improvement in both revenues and margins in FY23 has also resulted in increase in accruals. Considering the working capital intensive nature of operation, the company has a comfortable capital structure with overall gearing ratio being 0.41x as on March 31, 2023. The total debt comprises of long-term debt amounting to Rs. 36.35 crore and the balance is fund based working capital. Further the company's debt protections parameters are also comfortable, marked by interest coverage ratio of 2.02x as on March 31, 2023.



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### **Key Rating Weaknesses**

#### **Tender driven nature of business in highly fragmented & competitive construction sector**

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the company's ability to successfully bid for the tenders as entire business is tender based. The domestic infrastructure sector is highly fragmented marked by presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output. SIPS faces direct competition from various organized and unorganized players in the market.

#### **Inherent risk as an EPC contractor and susceptibility of operating margin to volatile input prices**

Economic vulnerability and regulatory risks in developing markets, delay in payments from the Government, project execution risk and fluctuating input costs are the key business risk faced by the company in the sector. Major raw materials used in civil construction activities are steel & cement 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. 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 subcontracting) cost. However, presence of price variation clause on eligible project mitigates the risk to some extent.

**Analytical Approach:** Standalone Approach

### **Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria on Rating Outlook](#)



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### **Liquidity – Adequate**

The liquidity position is adequate as reflected from the comfortable current ratio and quick ratio as of 31st March 2023 has been 2.22x and 1.39x respectively. The company has sufficient cushion in cash accruals vis-à-vis its debt repayment obligations in the next 3 years. The average working capital utilization for the last 12 months ended August 2023 stood high at ~94% for its fund-based limits. The unencumbered cash and bank balance as on 31-Mar-2023 is Rs. 20.99 crore.

### **About the Company**

Shyam Indus Power Solutions Private Limited (SIPS), incorporated in 2003, is an engineering, procurement, and construction (EPC) contractor wherein it undertakes projects to install and lay down infrastructure (including civil works) for power distribution and transmission companies in India. SIPS offers services such as railways electrification, railways civil work distribution, transmission, franchise management, metering and power generation projects, civil and power trading. The Company caters to the requirements of engineering and design, project management construction supervision, railway electrification, signaling and telecommunication industries.

### **Financials (Standalone):**

For the year ended* As on	INR in Crore	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	235.85	298.89
EBITDA	22.65	27.58
PAT	9.76	12.58
Total Debt	114.16	117.96
Tangible Net Worth	275.51	288.03
EBITDA Margin (%)	9.60	9.23
PAT Margin (%)	4.00	4.11
Overall Gearing Ratio (x)	0.41	0.41

\* Classification as per Infomerics' standards



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**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**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 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 Bank Facility – Cash Credit	Long Term	65.50	IVR BBB/ Stable Outlook	IVR BBB-/ Stable	-	-
2.	Non-Fund Based Bank Facility – BG	Short Term	255.50	IVR A3+	IVR A3	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Limited (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 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	-	-	-	65.50	IVR BBB/ Stable
Bank Guarantee	-	-	-	255.50	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-ShyamIndus-nov23.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](http://www.infomerics.com)