



## Press Release

### Shyam Infra Nirman Private Limited (SINPL)

(Erstwhile Shyamsree Infrastructure Pvt. Ltd)

December 29, 2022

#### Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings <sup>#</sup>	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	15.00	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)	Rating revised from <b>Supported:</b> IVR BBB+(CE); Stable* <b>Unsupported:</b> IVR BB; Credit Watch with Developing Implications <sup>^</sup>	Simple
Long Term/ Short Term Bank Facilities	25.00 (reduced from 35.00)	IVR BB-/ Stable/ IVR A4 (IVR Double B Minus with Stable Outlook/ IVR A Four)	Rating revised from <b>Supported:</b> IVR BBB+(CE); Stable/ IVR A2 (CE)* <b>Unsupported:</b> IVR BB; Credit Watch with Developing Implications <sup>^</sup>	Simple
Short Term Bank Facilities	10.00	IVR A4 (IVR A Four)	Assigned	Simple
<b>Total</b>	<b>50.00</b> <b>(Rs. Fifty crore only)</b>			

*# Rating approach revised to standalone leading to removal of Credit Enhancement as per the RBI guidelines on the CE ratings dated April 22, 2022, and July 26, 2022, specifically for bank loan ratings which were credit enhanced based on short fall undertaking from group company.*

*\*Based on Shortfall Undertaking from Shyamsree Food Processing Pvt Ltd*

*<sup>^</sup>Unsupported rating does not factor in the Shortfall Undertaking from Shyamsree Food Processing Pvt Ltd*

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The revision in the rating assigned to the bank facilities of Shyam Infra Nirman Private Limited (SINPL) takes into account latest RBI guidelines on “CE” ratings and hence for arriving at the ratings, the “Credit enhancement” was not taken into consideration. Further, the rating revision also considers significant decline in profitability in FY22, leveraged capital structure and weak operational performance in H1FY23. However, the aforesaid rating continues to derive comfort from its experience promoters, strong financial support from the group, reputed clientele with moderate order book position indicating a revenue visibility and presence of adequate Bank Guarantee limit. These rating strengths continues to remain constrained by small scale of its



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operations, tender based nature of business and presence in fragmented industry with intense competition and working capital intensive nature of operations.

### **Rating Sensitivities**

#### **Upward factors**

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals.
- Improvement in capital structure with improvement in overall gearing ratio to below 2x
- Improvement in receivable management leading to improvement in working capital intensity

#### **Downward Factors**

- Dip in operating income and/or profitability impacting the debt coverage indicators and further deterioration in receivable position
- Moderation in the capital structure with deterioration in overall gearing to over 3x

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

- **Experience promoters**

The company is promoted by Mr. Ravi Beriwal who has over 25 years of experience in the contract management and project construction and steel industry. Mr. Beriwal looks after the day-to-day affairs of the company and is well assisted by technical head Mr. Tarun Roychowdhury having 40 years of experience in engineering and project contract management.

- **Strong financial support from the group**

The company is part of the Shyam steel group which is one of the major integrated iron and steel player in the eastern part of India. SINPL receives significant and timely financial support from the Shyam Steel group in the form of unsecured loans for meeting its debt obligations and capital expenditure requirements. The Shyam Steel Group has a strong financial profile and has a legacy of nearly than two decades and is an established player in iron and steel industry in Eastern India. Other than the iron and steel business the group has diversified interest in construction, food processing etc. Infomerics expects. going forward, SINPL will continue to receive continuous support from its other Group companies.



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- **Reputed clientele with moderate order book position indicating a revenue visibility**

The clients of SINPL consist of reputed players from both private and public sectors. The present order book consists of orders from reputed entities like South Eastern Railways, Hoogly River Bridge Commissioner, TATA Hitachi Construction, Shyam Steel Industries Limited. Further, SINPL has a moderate order book position with balance order in hand is of Rs.44.00 crore as on November 30, 2022, to be completed within next 2 years which is ~1.63x of the turnover of FY22.

- **Presence of adequate Bank Guarantee limit**

The presence of adequate bank guarantee limit enables the company to bid for more fresh projects. The free limits enable SINPL to bid for more fresh orders. The company currently has Rs.25 crore of bank guarantee limit of which ~Rs.10 crore of bank guarantee is free to bid for tender. The average non-fund based (BG) utilisation is remained satisfactory at ~38 % during the past 12 months ended on November 2022.

### Key Rating Weaknesses

- **Small scale of operations with low profitability**

The scale of operations of the company continued to remain small notwithstanding the y-o-y growth of ~20% in its total operating income in FY22 to ~Rs.28 crore. Tangible net worth of the company was also low at ~Rs.12 crore as on March 31, 2022. Small scale of operations restricts the business risk profile of the company. Furthermore, the PAT margin of the company remains thin at 0.26% with an PAT of Rs.0.07 crore in FY22. In H1FY23, the company has achieved a revenue of Rs. 12.21 crore with a PBT level of Rs.0.11 crore.

- **Leveraged capital structure and moderate debt coverage indicators**

The financial risk profile of the company is moderate marked by its leverage capital structure and moderate debt protection metrics. The company has issued fresh 7% Non-convertible Debenture (Rs.16.50 crore outstanding as on March 31,2022) and avail unsecured loan from group company to fund its ongoing work orders and meet its working capital needs during FY22. The aforesaid debentures are issued to group companies and issued under favourable terms. With rise in debt level, debt coverage indicators marked by interest coverage ratio has deteriorated to 1.40x in FY22 and total debt to GCA also declined to 23.54x as on March 31,



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2022. Going forward, Infomerics believes the financial risk profile of the company will continue to remain moderate.

- **Tender based nature of business and presence in fragmented industry with intense competition**

SINPL operates in a tender based business and faces competition from other national level large players and small unorganized players who generally specialize in one or two business segments only. Revenues are dependent on the company's ability to bid successfully for tenders.

- **Working capital intensive nature of operations**

SINPL's business is working capital intensive on account of high collection period, blockage of retention money due to long duration of construction projects, which gets released after successful completion of performance guarantee test period. The operating cycle remained high and further elongated to 252 days in FY22 (238 days in FY21) due to elongated inventory period and high average collection period. Further, a large part of working capital remained blocked in unbilled contractual revenue and receivable from joint venture partners. On receipt of tender, the company has to arrange for 5-10% of the tender value as security deposit as cash or bank guarantee. Principal deducts another 5-10% as retention amount from each running bill. The security deposit is released on completion of contract and retention money is released 1-2 years after project completion. SINPL's ability to manage the working capital requirements effectively is a key rating monitorable. However, the average cash Credit utilisation remained negligible during the past 12 months ended on Nov. 2022 as the company mostly use unsecured loans from its group companies to fund its working capital needs.

**Analytical Approach:** Standalone.

Infomerics has revised the analytical approach from erstwhile "Credit Enhancement" to "Standalone" after taking into consideration the latest RBI guidelines on Credit Enhancement Ratings and non-compliance to the recent RBI circular.



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### Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning rating outlook](#)

### Liquidity: Adequate

Liquidity position of SINPL is adequate marked by its low scheduled debt repayment obligations of around ~Rs.0.30 crore each in FY23 and nil thereafter. The liquidity also receives comfort from no major capex plan on part of the SINPL and its adequate available bank guarantee limit. In addition, significant comfort can be derived from the strong financial flexibility of the Shyam Steel group.

### About the Company

Incorporated in 2006, Kolkata based Shyam Infra Nirman Private Limited (SINPL) (erstwhile Shyamsree Infrastructure Private Limited), is promoted by Mr. Ravi Beriwal. SINPL is part of the Shyam steel group, which is one of the major integrated iron and steel player in the eastern part of India. SINPL started operations in 2014. In July 2022, the company rechristened as Shyam Infra Nirman Private Limited. Since inception, the company engaged in infrastructure development with primary focus on construction of building railway bridges and roads. In addition, the company is also engaged in development and sale of commercial building. The company also undertakes in-house infrastructural development for Shyam Steel Industries Limited where it develops infrastructure like installation of plant & machinery and development of commercial properties for the company.

### Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Income	23.15	27.87
EBITDA	3.62	3.09
PAT	0.93	0.07
Total Debt	25.89	35.08
Tangible Net worth	11.81	11.89
EBITDA Margin (%)	15.65	11.08
PAT Margin (%)	4.02	0.26
Overall Gearing Ratio (x)	2.19	2.95

\*Classification as per Infomerics' standards





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**Status of non-cooperation with previous CRA:** Nil.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit (Proposed)	Long Term	15.00	IVR BB-/Stable	IVR BBB+(CE); Stable*  Unsupported: IVR BB under Credit watch with developing implications (Nov. 19, 2021)	IVR BBB+(CE); Stable*  Unsupported: IVR BB; Stable (Sept. 04, 2020)	-
2.	Fund Based/Non-Fund Based	Long Term/Short Term	25.00	IVR BB-/Stable/ IVR A4	IVR BBB+(CE); Stable/ IVR A2 (CE)*  Unsupported: IVR BB under Credit watch with developing implications (Nov. 19, 2021)	IVR BBB+(CE); Stable*  Unsupported: IVR BB; Stable (Sept. 04, 2020)	-
3.	Bank Guarantee (proposed)	Short Term	10.00	IVR A4	-	-	-

*\* Based on Shortfall Undertaking from Shyamsree Food Processing Pvt Ltd*

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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.



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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.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**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
Long Term Fund Based Limits - Cash Credit (proposed)	-	-	-	15.00	IVR BB-/ Stable
Fund Based/Non-Fund Based	-	-	-	25.00	IVR BB-/ Stable/ IVR A4
Bank Guarantee (proposed)	-	-	-	10.00	IVR A4

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

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Len-ShyamInfra-dec22.pdf>

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



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**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).

