



Press Release

Sharad Constructions Private Limited

April 04, 2025

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Facilities	2.00	IVR BB+/Stable (IVR Double B Plus; with Stable Outlook)	IVR BB+/Stable (IVR Double B Plus; with Stable Outlook)	Reaffirmed	Simple
Short Term Facilities	98.00(Increased from 58.00)	IVR A4+ (IVR A Four Plus)	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Total	100.00 (Rupees Hundred Crore)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of Sharad Constructions Private Limited on account of experienced promoters & qualified management team, proven project execution capability and reputed clientele, comfortable capital structure, and healthy order book reflecting medium-term revenue visibility.

The ratings are however constrained due to thin Profitability, share buyback expected to impact the financial health and highly fragmented & competitive nature of the construction sector with significant price war.

The 'Stable' outlook indicates that Sharad Constructions Private Limited is expected to continue to get benefits out of the established track record, and reputed clientele.



Press Release

Key Rating Sensitivities:

- **Upward Factors**
 - Growing revenue YoY and substantial and sustainable improvement in the profitability margins,
 - Improving the order book reflecting the long-term revenue visibility, and
 - Successful commissioning and completion of the projects without time or cost overruns.
- **Downward Factors:**
 - Sharp changes in leverage leading to the weakening of financial risk profile, or
 - Decline in profitability and elongation in operating cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters & Qualified management team

The promoters, Mr. Chandrakant D. Mehtalia, possess over 40 years of experience in the construction industry, while Mr. Vatsal Mehtalia and Mr. Nilay Mehtalia each bring more than a decade of expertise to the field. Together, they offer a vast reservoir of knowledge and hands-on experience, having successfully executed projects like but not limited to jetties, caissons, heavy foundations for steel mills, skyscrapers, Effluent Treatment Plants (ETP)

At any given time, the company oversees 8–10 active sites, managed by a team of senior, highly qualified staff with extensive experience in the sector. Remarkably, most of the senior management team has been nurtured in-house and has loyally served the company for over 30 years, showcasing its commitment to developing and retaining talent.

Proven project execution capability and reputed clientele

Over the past years, the company has successfully completed many projects across Maharashtra, Gujarat, Madhya Pradesh, Goa, Telangana and Karnataka and ensured timely completion of majority of its projects. The repeat orders received from its clientele validates its construction capabilities. The company has built a strong clientele over the years, which is constantly expanding like Aarti Industries Limited, Lupin Limited, Saint Gobain Group, Suzlon Energy Limited, Glenmark Pharmaceuticals Limited, UPL Limited, and ZCL Chemicals



Press Release

Limited, among others. This varied client base highlights the company's expertise and reputation across various industries. With its reputable clientele, the company anticipates a steady inflow of orders, fostering consistent growth and enabling it to expand steadily over time.

Comfortable capital structure

SCPL's capital structure remained comfortable in FY24[refers to period April 1st, 2023, to Mar 31, 2024]. Overall gearing and TOL/TNW stood at 0.21x and 1.42x respectively as on March 31, 2024, as compared to 0.59x and 1.83x respectively as on March 31, 2023. Similarly, interest coverage stood strong at 3.81x in FY24. This can be attributed to the company's reliance majorly on non-fund-based facilities, without availing any term loans or long-term debt financing.

Healthy order book reflecting medium-term revenue visibility

As of February 28, 2025, the company holds a healthy unexecuted order book worth approximately Rs. 312 crores, providing revenue visibility for the next two years. A considerable portion of these projects, amounting to around Rs. 207 crores, is expected to be completed by FY2026, indicating sustainable progress and execution in the near term.

B. Key Rating Weaknesses

Thin Profitability

Despite a comfortable capital structure, the company's profitability remains modest. EBITDA margins stood at 2.72% in FY24, 1.29% in FY23[refers to period April 1st, 2022, to Mar 31, 2023], and 1.68% in FY22, while PAT margins were also subdued at 1.59% in FY24, 1.12% in FY23, and 0.93% in FY22. Such lower margins are attributed to intense competition in the construction industry. However, margins are expected to improve, driven by the company's commitment to delivering high-quality services, enabling competitive pricing, and leveraging technological advancements to reduce operational costs, thereby strengthening profitability and boost margins.

Share buyback expected to impact the financial health



Press Release

The company has planned 25% share buyback worth ₹7.9 crores in FY 25. This is expected to reduce its Tangible Net Worth (TNW) from ₹31.72 crores to ₹27.89 crores in FY 2025. This reduction is likely to increase potential gearing, particularly as it reflects the reliance on Bank Guarantees (BG) in the construction sector, which could impact the company's financial position.

Highly fragmented & competitive nature of the construction sector with significant price war

The domestic infrastructure/construction sector is highly crowded with the presence of many players with varied statures & capabilities. A boom in the infrastructure sector, a few years back, resulted in an increase in the number of players. While the competition is perceived to be healthy, a significant price cut by a few players during the bidding process can affect the company in winning the contracts.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies.](#)

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

[Criteria of assigning Rating Outlook](#)

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

[Policy on Default Recognition](#)

Liquidity: Adequate

The company is earning adequate levels of GCA. The company GCA stands at 2.67 crores in FY24, but no repayment obligations as the company is operating on non-fund facilities. The company has been sanctioned a cash credit limit of Rs 2 Cr which remains unutilized. The company has a current ratio of 1.86x as on 31-Mar-2024. Additionally, the company has cash and cash equivalents of Rs 4.52 Crore as on 28 February 2025. Operating Cycle improved to 128 days in FY23 to 80 days in FY24 mainly due to improvement in the inventory period and collection period in FY24.



Press Release

About the company

Sharad Constructions Private Limited (SCPL) is incorporated as a private limited company in the year 1985. SCPL is a Project Construction Company, primarily working on varied industrial projects. Pharmaceuticals, Chemicals, Agrochemical, Petrochemicals, Fertilizer Plants, Manufacturing, Heavy Engineering, High Rise, Residential, Malls, IT parks, Resorts, College & Hostels, Satellite Communications, Aircraft Hangers, Infrastructure etc all types of projects have been executed over the years. With having large experience in Industrial projects Sharad Constructions has a significant presence in Western India with projects ongoing in Maharashtra, Gujarat, Goa and Madhya Pradesh.

Financials (Standalone):

	Rs. Crore	
For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	92.57	150.50
EBITDA	1.19	4.10
PAT	1.04	2.40
Total Debt	17.44	6.60
Tangible Net worth	29.39	31.72
EBIDTA Margin (%)	1.29	2.72
PAT Margin (%)	1.12	1.59
Overall Gearing ratio (X)	0.59	0.21
Interest coverage (x)	4.77	3.81

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA:

CRISIL vide press release dated September 11, 2024, continued to classify the rating under "Issuer Not Cooperating" due to non-availability of adequate information to review the ratings.

Any other information: None



Press Release

Rating History for last 3 years:

Sr. No.	Name of Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24(30 January 2024)	Date(s) & Rating(s) assigned in 2022-23
1	Cash Credit	Long Term	2.00	IVR BB+/Stable	-	IVR BB+/Stable	-
2	Bank Guarantee	Short Term	58.00	IVR A4+	-	IVR A4+	-
3	Proposed Bank Guarantee	Short Term	40.00	IVR A4+	-	-	-

Analytical contacts:

Name: Rekha Chokkalingam Tel: (022) 62396023 Email: rekha.chokkalingam@infomerics.com
--

About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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.



Press Release

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

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 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: Facility details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	Revolving	2.00	IVR BB+/Stable
Bank Guarantee	-	-	-	-	58.00	IVR A4+
Proposed Bank Guarantee	-	-	-	-	40.00	IVR A4+

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-sharad-constructions-apr25.pdf>



Press Release

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

Annexure 4: List of companies considered for consolidated analysis: 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.

