



Press Release

Shrushti Contech Private Limited (SCPL)

August 08, 2023

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities - Cash Credit	20.00	IVR BBB- / Stable Outlook [IVR Triple B Minus with Stable Outlook]	Rating Revised and removed from ISSUER NOT COOPERATING category	Simple
Long Term Bank Facilities - Secured Overdraft Loan	15.00	IVR BBB- / Stable Outlook [IVR Triple B Minus with Stable Outlook]	Rating Revised and removed from ISSUER NOT COOPERATING category	Simple
Proposed Long Term Bank Facilities - Cash Credit	20.00	IVR BBB- / Stable Outlook [IVR Triple B Minus with Stable Outlook]	Rating Revised and removed from ISSUER NOT COOPERATING category	Simple
Long Term/ Short Term Bank Facilities – Bank Guarantee	50.00	IVR BBB- / Stable Outlook; IVR A3 [IVR Triple B Minus with Stable Outlook; IVR A Three]	Rating Revised and removed from ISSUER NOT COOPERATING category	Simple
Proposed Short Term Bank Facilities – Bank Guarantee	50.00	IVR A3 [IVR A Three]	Rating Revised and removed from ISSUER NOT COOPERATING category	Simple
Total	155.00			

Details of Facilities are in Annexure 1

Detailed Rationale:

The rating upgrade to the bank facilities of Shrushti Contech Private Limited considers significant growth in the revenue and profitability margins during FY23 as compared with previous financial year. Further ratings continue to derive strength from its experienced promoters & management team, proven project execution capability, reputed client base, strategic partnerships, y-o-y improvement in EBITDA margin, healthy order book and



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moderate capital structure and debt protection parameters. However, the rating strengths are partially offset by elongated working capital cycle, highly fragmented and competitive nature of the sector with significant price war and susceptibility of operating margin to volatile input prices.

The rating was migrated to ISSUER NOT COOPEARTING category as Shrushti Contech Private Limited (SCPL) had not submitted all the required information for surveillance under the stipulated timelines. Subsequently, SCPL has cooperated and provided the information leading to removal of the rating from ISSUER NOT COOPEARTING category.

Key Rating Sensitivities:

Upward Factors:

- Substantial and sustained improvement in revenue & profitability leading to overall improvement in debt protection metrics.

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.

Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced promoters & management team

SCPL originated as a partnership firm in 2005 and was subsequently converted into a private limited company in 2013. The company's founders include Jampala Rajasekhar Reddy and other directors, namely Jampala Madhusudhan Reddy, Jampala Prasanna Lakshmi, and Jampala Sujatha Reddy. These individuals boast approximately two decades of expertise in the civil construction industry. Their vast experience has facilitated the establishment of strong connections with both customers and suppliers. In addition to the promoters, SCPL benefits from the support of a skilled and qualified team of professionals.

Reputed client base

The promoters' extensive experience in the industry has been instrumental in fostering enduring partnerships with different intermediaries in the value chain. The group primarily focuses on electrical and civil projects, and its main participation involves bidding for tenders



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issued by the World Bank and Asian Development Bank. Additionally, the company undertakes sub-contracting work as part of its operations. NHAI (National Highways Authority of India) and Power Finance Corporation Limited (PFC) are among the major clients of the company.

Proven project execution capability

In recent years, the group has achieved successful completion of numerous projects in different states, including Andhra Pradesh, Telangana, Maharashtra, Karnataka, and Odisha. The fact that they have received repeat orders from their clients and have formed joint ventures with well-established players in the industry serves as evidence of their strong execution capabilities.

Strong Order Book Position and Diversified Customer Base

The company holds a robust order book position, totalling Rs. 803.63 crores (7x of FY23(P) revenue). These orders are expected to be fulfilled within the next 2-3 years, ensuring satisfactory revenue visibility in the medium term. Furthermore, the order book is well diversified, across all the segments with strong counterparties which consists of PFC, NHAI and Paradip Port Fishing Authority This diversification signifies a low concentration risk regarding both customers and segments.

Key Rating Weaknesses:

Elongated working capital and adequate liquidity.

The group's operations heavily rely on working capital, with a significant amount tied up in earnest money deposits and retention money. Additionally, a large portion of construction projects and billings are concentrated in the last two quarters of the fiscal year, accounting for approximately 30-40% of total sales on average. Consequently, this leads to a considerable amount of outstanding debtors by the end of the financial year, as payments are typically received in the first quarter of the following fiscal year, resulting in an extended average collection period. Moreover, the company's creditor's period is also prolonged because it strives to align its payments to suppliers and sub-contractors with the receipts from debtors. This approach to managing payments further contributes to the working capital intensity of the group's operations.



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Susceptibility of operating margin to volatile input prices, mitigated by escalation clause in contracts.

The primary raw materials for civil construction, such as steel and cement, are typically procured from prominent suppliers located nearby. These raw materials, as well as steel products, have historically exhibited volatile pricing, which can impact the company's profitability margins. However, the company has mitigated the effects of this volatility to some extent by incorporating cost escalation clauses into their contracts. These clauses help offset the impact of fluctuating raw material prices and finished product costs.

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

Analytical Approach: Consolidated

For arriving at the rating, Infomerics has combined 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 Companies](#)

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

[Criteria for rating outlook](#)

Liquidity – Adequate

The company possesses an adequate liquidity profile as it has no significant long-term repayment obligations or major capital expenditure plans. During the fiscal year 2023, the



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company generated gross cash accruals of Rs. 6.15 Crore. It maintains adequate cash and bank balance to fulfil its liquidity needs and is expected to maintain a satisfactory liquidity position in the foreseeable future, as long as there are no substantial term debt repayments. The company's liquidity is contingent on the successful completion of projects and prompt realization of contract proceeds. The Debt Service Coverage Ratio (DSCR) is a comfortable at 2.19x in FY23(provisional) indicating that the company has ample liquidity to meet its maturing debt obligations. As of March 31, 2023, the current ratio stands at 1.43 x, and the company has a cash and bank balance of Rs. 3.11 Crores.

About the Company:

Established as a firm under the name Shrushti Con Tech ('SCT', 'the firm') in 2002 by a team of engineers and economists. It reconstituted as a private limited company in June 2013. The company is based out of Hyderabad and is into execution of EPC works. It is also into the manufacturing of pre-stressed concrete poles (PSCC) with an installed capacity of 1,90,800 poles per annum.

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.

Financials: Consolidated

(Rs. Crore)

For the year ended/ As On	31-03-2022 (Audited)	31-03-2023 (Provisional)
Total Operating Income	92.97	117.63
EBITDA	12.59	13.63
PAT	5.95	5.52
Total Debt	40.05	44.40
Tangible Net-worth	46.25	52.11
Ratios		
EBITDA Margin (%)	13.54	11.59
PAT Margin (%)	6.38	4.68
Overall Gearing Ratio (x)	0.56	0.58

Financials: Standalone (Shrushti Contech Private Limited)

(Rs. Crore)

For the year ended/ As On	31-03-2022 (Audited)	31-03-2023 (Provisional)
Total Operating Income	92.71	117.43
EBITDA	12.54	13.60
PAT	5.92	5.49
Total Debt	40.01	44.32



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Tangible Net-worth	44.91	50.40
Ratios		
EBITDA Margin (%)	13.53	11.58
PAT Margin (%)	6.37	4.67
Overall Gearing Ratio (x)	0.57	0.59

Status of non-cooperation with previous CRA:

ACUITE vide its press release dated 16th August 2022 has continued to classify the case under Issuer Not Co-operating category on account of non-submission of relevant information.

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR 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 (May/11/20)
1.	Long Term Bank Facilities - Cash Credit	Long Term	20.00	IVR BBB- / Stable Outlook [IVR Triple B Minus with Stable Outlook]	IVR BB+; Issuer Not Cooperating	IVR BBB-/ Credit watch with developing implications	IVR BBB-/Stable
2.	Long Term Bank Facilities - Secured Overdraft Loan	Long Term	15.00	IVR BBB- / Stable Outlook [IVR Triple B Minus with Stable Outlook]	IVR BB+; Issuer Not Cooperating	IVR BBB-/ Credit watch with developing implications	--
3.	Proposed Long Term Bank Facilities -	Long Term	20.00	IVR BBB- / Stable Outlook [IVR Triple B	IVR BB+; Issuer Not Cooperating	IVR BBB-/ Credit watch with developing implications	--



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	Cash Credit			Minus with Stable Outlook]			
4.	Long Term/ Short Term Bank Facilities – Bank Guarantee	Long Term / Short Term	50.00	IVR BBB- / Stable Outlook ; IVR A3 [IVR Triple B Minus with Stable Outlook ; IVR A Three]	IVR BB+/ IVR A4+; Issuer Not Cooperating * (IVR Double B Plus/ IVR A Four Plus; Issuer Not Cooperating *)	IVR BBB-/ Credit watch with developing implications; IVR A3	IVR BBB-/Stable; IVR A3
5.	Proposed Short Term Bank Facilities – Bank Guarantee	Short Term	50.00	IVR A3 [IVR A Three]	IVR A4+; Issuer Not Cooperating	IVR A3	--

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.

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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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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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
Long Term Bank Facilities - Cash Credit	--	--	--	20.00	IVR BBB- / Stable Outlook [IVR Triple B Minus with Stable Outlook]
Long Term Bank Facilities - Secured Overdraft Loan	--	--	--	15.00	IVR BBB- / Stable Outlook [IVR Triple B Minus with Stable Outlook]
Proposed Long Term Bank Facilities - Cash Credit	--	--	--	20.00	IVR BBB- / Stable Outlook [IVR Triple B Minus with Stable Outlook]
Long Term/ Short Term Bank Facilities – Bank Guarantee	--	--	--	50.00	IVR BBB- / Stable Outlook; IVR A3 [IVR Triple B Minus with Stable Outlook; IVR A Three]
Proposed Short Term Bank Facilities – Bank Guarantee	--	--	--	50.00	IVR A3 [IVR A Three]

Annexure 2: List of companies considered for consolidated analysis:

Shrushti Contech Private Limited	Consolidation Approach
Sun Shrushti Private Limited	

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-shrushti-aug23.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.