



Press Release

Shyamsree Infrastructure Private Limited

September 04, 2020

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1	Long Term/ Short Term Bank Facilities	50.00	IVR BBB+(CE); Stable/ IVR A2 (CE) (IVR Triple B Plus [Credit Enhancement] with Stable Outlook and IVR A Two [Credit Enhancement]) *	Assigned
	Total	50.00 (Rs.Fifty crore only)		

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

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Shyamsree Infrastructure Private Limited (SIPL) derives strength from Shortfall Undertaking extended by Shyamsree Food Processing Pvt Ltd (SFPPPL). This Shortfall Undertaking results in credit enhancement in the rating of the said instrument to **IVR BBB+ (CE); Stable/IVR A2 (CE) (IVR Triple B Plus [Credit Enhancement] with Stable Outlook/ IVR A Two [Credit Enhancement])** against the unsupported rating of IVR BB; Stable (IVR Double B with Stable Outlook).

Further, the rating also derive strength from its experience promoters and management of SIPL, strong financial support from the Shyam steel group, strong credit profile of Shyamsree Food Processing Pvt Ltd, reputed clientele with moderate order book position indicating a revenue visibility and growth in operations with moderate financial risk profile. However, these rating strengths are partially offset by small scale of operations of SIPL, tender based nature of business, presence in a fragmented industry with intense competition and its 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.



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- Improvement in receivable management

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and further deterioration in receivable position

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Experience promoters and management**

The company is promoted by Mr. Ravi Beriwal who has about 25 years of experience in the contract management and project construction and steel industry. Though the company has limited track record of around six years, the company in the last 2-3 years has shown significant improvement in receiving new orders from both government and private parties.

The improvement in order book situation is primarily guided by its experienced management and a dedicated technical team to assist the management. Mr. Ravi Beriwal who looks after the day-to-day affairs of the company leads the management team.

- **Strong financial support from the group**

SIPL is part of the Shyam steel group which is one of the major integrated iron and steel player in the eastern part of India. SIPL receives timely financial support from the Shyam Steel Group. The Shyam Steel Group has a strong financial profile and has a legacy of nearly six decades and is an established player in iron and steel industry with pan India presence. Other than the iron and steel business, the group has diversified interest in construction, food processing etc.

- **Strong credit profile of Shyamsree Food Processing Pvt Ltd**

Shyamsree Food Processing Pvt Ltd has a strong credit profile being a long-term debt free company with strong cash flows and strong debt protection metrics.

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

The clients of SIPL consist of reputed players from both private and public sectors. The present order book consists orders from many reputed government and private entities. Further, SIPL has a moderate order book position of ~Rs.280 crore as on June 30, 2020, to be completed within next two years which is ~7x of the turnover of FY20 (provisional).



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- **Moderate financial risk profile**

The financial risk profile of SIPL is moderate marked by its moderate capital structure and comfortable debt protection metrics. The average Overdraft utilisation also remained satisfactory at ~42% during the past 12 months ended on June 2020. Going forward, Infomerics believes that the financial risk profile of the company will continue to remain moderate in the near term though with an improving trend.

Key Rating Weaknesses

- **Small scale of operations albeit growth in operations**

The total operating income of the company registered a CAGR of ~67% during FY17-FY19 with a y-o-y growth of ~180 % in FY19. The growth is driven by better execution of orders. Further, the operating margins remained healthy and has also improved from 7.88% in FY18 to 20.23% in FY19. During FY20, the company has estimated to earn a total income of about Rs.40.00 crore. Despite the steady growth in operations, the scale of operations of the company remained small. Small scale of operations restricts the financial risk profile of the company. However, SIPL is a part of a strong group which imparts comfort.

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

SIPL 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**

SIPL'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. Further, a large part of working capital remained blocked in security deposit and retention money; in addition to moderate inventory and receivables. SIPL's ability to manage the working capital requirements effectively is a key rating monitorable.



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Analytical Approach:

Credit Enhancement (CE) rating: Assessment of the credit profile of Shyamsree Food Processing Pvt Ltd (SFPPL), provider of unconditional and irrevocable Shortfall Undertaking to the bank facilities of SIPL.

Unsupported rating: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Rating Methodology for Manufacturing Companies

Rating methodology for Structure Debt Transaction (Non-securitisation transaction)

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

Liquidity position of SIPL is adequate marked by satisfactory accruals against nil repayment obligations. The average utilization of fund-based bank limit was around ~42% during the last twelve months ending June 2020 indicating an adequate liquidity buffer. The liquidity also receives comfort from no significant capex plan on part of the SIPL and its adequate available bank guarantee limit. In addition, significant comfort can be derived from the strong financial flexibility of the Shyam Steel group and its commitment to support SIPL in case of exigencies.

About Shyamsree Infrastructure Private Ltd

Incorporated in 2006, Kolkata based Shyamsree Infrastructure Private Ltd. (SIPL), is promoted by Mr. Ravi Beriwal. SIPL started operations in 2014 and is engaged in infrastructure development with primary focus on construction of building railway bridges and roads. The company also undertakes in-house infrastructural development where it develops infrastructure like installation of plant & machinery and development of commercial properties for the company. The company is part of the Shyam steel group, which is one of the major integrated iron and steel player with pan India presence.

Financials of SIPL (Standalone):



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For the year ended* / As On	(Rs. crore)	
	31-03-2018	31-03-2019
	Audited	Audited
Total Income	6.88	19.32
EBITDA	0.70	4.33
PAT	0.27	1.94
Total Debt	10.38	14.14
Tangible Net worth	0.60	8.60
EBITDA Margin (%)	10.20	22.39
PAT Margin (%)	3.89	10.06
Overall Gearing Ratio (x)	17.19	1.65

*Classification as per Infomerics' standards.

About Shyamsree Food Processing Pvt Ltd

SFPPL was incorporated in 2010 as Shyam Kund Vyapaar Pvt. Ltd and belongs to the Shyam Steel Group of Kolkata. In September 2014, SFPPL tied up with ITC for sales to ITC's Finger Snacks division of its namkeen ready to eat products under ITC's technical assistance in North-East India. As per the agreement, SFPPL shall manufacture ITC brand finger snacks namely, "Bingo! Mad Angles (BMA)", "Bingo! Tedhe Medhe (BTM)" and "Bingo! Tangles (BTG)" and any other finger snacks under the brand. The company started operations with manufacturing BTM and presently, it is manufacturing BTM and BMA.

Financials of SFPPL (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Income	78.00	74.52
EBITDA	8.99	9.25
PAT	2.64	4.03
Total Debt	11.75	2.51
Tangible Net worth	44.05	50.96
EBITDA Margin (%)	11.52	12.41
PAT Margin (%)	3.38	5.41
Overall Gearing Ratio (x)	0.27	0.05

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Fund Based/Non-Fund Based	Long Term/Short Term	50.00	IVR BBB+(CE) ; Stable/ IVR A2 (CE)	-	-	-

* Based on Shortfall Undertaking from Shyamsree Food Processing Pvt Ltd

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 commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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
Fund Based/Non-Fund Based	-	-	-	50.00	IVR BBB+(CE); Stable/ IVR A2 (CE)

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

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Shyamsree-infra-lenders-sept20.pdf>