



SMERA RATINGS LIMITED

Shree Balaji Engicons Private Limited (SBEPL)

*Rating
Rationale*

May 11, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit*	25.75	SMERA BBB+/Stable (Assigned)
Standby Line of Credit	1.75	SMERA A2 (Assigned)
Bank Guarantee	95.00	SMERA A2 (Assigned)
Fund Based (Proposed)	32.50	SMERA BBB+/Stable (Assigned)
Non Fund Based (Proposed)	95.00	SMERA A2 (Assigned)

**Includes sublimit of working capital demand loan upto Rs. 4.00cr*

SMERA has assigned ratings of '**SMERA BBB+**' (read as **SMERA triple B plus**) and '**SMERA A2**' (read as **SMERA A two**) on the abovementioned bank facilities of Shree Balaji Engicons Private Limited (SBEPL). The outlook is '**Stable**'. The ratings are supported by the company's established track record of operations, experienced management and long-standing relations with customers. The ratings also draw strength from the strong financial risk profile, comfortable liquidity position and healthy profitability margins. Further, the ratings also note the efficient working capital management and strong order book position that provide healthy revenue visibility. However, the ratings are constrained by the exposure of the company to cyclical risk inherent in the construction industry, high dependence on Government-based orders and geographical concentration risk.

SBEPL, incorporated in 1998, is an Orissa-based company that undertakes civil construction contracts for the Orissa State Government and private firms. The company benefits from its experienced management. Mr. Anil Kumar Agrawal, the Managing Director, has around three decades of experience in the civil construction industry. The company has established relations with various departments including Eastern Railways, National Highway Authority of India (NHAI), Orissa Public Works Department (PWD) among others. The strong financial risk profile is marked by comfortable gearing of 0.64 times, healthy net worth base of Rs.72.15 crore and interest coverage ratio (ICR) of 5.66 times in FY2014-15. Moreover, SBEPL's financial risk profile is also supported by comfortable liquidity position evident from bank limit utilisations of ~92 per cent (from October 2016 to March 2016) and unencumbered cash and bank balance of ~Rs.3.74 crore as on March 31, 2015. The operating profit margin has been healthy at 11.48 per cent in FY2014-15. SBEPL has a healthy order book position of ~Rs.750.00 crore which provides revenue visibility over the medium term.

However, SBEPL is highly dependent on government orders and tenders and is exposed to the inherent cyclical risk in the construction industry. The company is also exposed to geographical concentration risk as their projects are majorly Orissa based.

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**Outlook: Stable**

SMERA believes SBEPL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

Rating Sensitivity Factors

- Continued increase in scaling up of operations while maintaining profit margins
- Higher than envisaged working capital borrowings
- Sustenance of existing financial risk profile with healthy capital structure
- Capex plan and its funding mix

About the Company

SBEPL, incorporated in 1998, is an Orissa-based company promoted by Mr. Agarwal and family. The company undertakes civil construction contracts for government and private entities.

For FY2014-15, SBEPL reported profit after tax (PAT) of Rs.13.31 crore on revenues of Rs.271.84 crore, as compared with PAT of Rs.12.63 crore on revenues of Rs.201.25 crore for FY2013-14. The company registered revenue of Rs. 321.00 crore for FY2015-16 (Provisional).

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