

Press Release

18 March, 2017

Shree Balaji Engicons Private Limited

Rating Reaffirmed

Total Bank Facilities Rated *	Rs. 250.00 Cr.
Long Term Rating	SMERA BBB+ / Outlook: Stable
Short Term Rating	SMERA A2

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BBB+**' (read as SMERA BBB plus) and short term rating of '**SMERA A2**' (read as SMERA A two) on the Rs. 250.00 crore bank facilities of Shree Balaji Engicons Private Limited. The outlook is '**Stable**'.

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.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations:**

The company benefits from its experienced management and long track record of operations. Mr. Anil Kumar Agrawal Managing Director has around three decades of experience in the civil construction industry. At present the third generation of the family Mr Vinay Agarwal had also entered the business.

- **Reputed clientele and diversified business:**

The company enjoys 'Super Class' contractor status in Orissa and undertakes civil construction work for government bodies as well as private entities. The clients include Orissa Public Works Department (PWD) and National Highway Authority of India (NHAI) to name a few. Apart from this SBEPL also runs its own petrol pump business which contributes to around 6% of its total revenues.

- **Consistent growth in revenue:**

SBEPL reported increase in revenue to Rs.300.96 crore in FY2016 from Rs.271.84 crore in FY2015. Revenue grew at a CAGR of around 24 per cent in the last four years ending FY2016. This is due to successful and timely implementation of their projects. Till November 2016 (Provisional) the company have achieved revenue of Rs 195 crore.

- **Improvement in margins YOY (Year-on-year):**

The operating margin rose to 12.27 per cent in FY2016 from 11.48 per cent in FY2015. SBEPL has been able to maintain its operating margins due to the in-built price escalation clause. Moreover the net profit margin improved from 4.89 per cent in FY2015 to 5.78 per cent in FY2016 with timely completion of projects.

- **Robust financial risk profile:**

The robust financial risk profile is marked by comfortable gearing of 0.56 times in FY2016 compared to 0.64 times in FY2015 healthy net worth base of Rs.89.55 crore in FY2016 as against Rs 72.15 crore in FY2015 and interest coverage ratio (ICR) of 4.95 times in FY2016 compared to 5.28 times in FY2015. Net cash accruals to Total debt stood at 0.56 times in FY2016 compared to 0.52 times in FY2015 and Debt Service Coverage ratio at 1.77 times in FY2016 as against 2.16 times in FY2015.

- **Comfortable liquidity and efficient working capital management:**

The company's comfortable liquidity position is evident from ~80 per cent bank limit utilisation (from June 2016 to November 2016) and unencumbered cash and bank balance of ~Rs.2.52 crore as on 31 March 2016. SBEPL has efficient working capital management with working capital cycle of 35 days in FY2016. This was mainly on account of quick payments received from customers due to established relations of over two decades.

- **Strong order book position:**

SBEPL has healthy order book of ~Rs.725.00 crore which provides revenue visibility over the medium term.

Weaknesses

- **High dependence on Government orders:**

SBEPL derives around 70 per cent revenue from civil construction work undertaken mainly for the Orissa government. The company is highly dependent on tenders floated by the government.

- **Susceptibility to the inherent cyclicity in the construction industry:**

The company remains susceptible to inherent cyclicity in the construction industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that SBEPL will maintain a stable outlook 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 its liquidity position. Conversely the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability deterioration in the financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16 SBEPL reported profit after tax (PAT) of Rs.17.40 crore on revenue of Rs.300.96 crore as compared with PAT of Rs.13.31 crore on revenue of Rs.271.84 crore for FY2014-15.

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smerra.in/criteria-infra.htm>

Note on complexity levels of the rated instrument
<https://www.smerra.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-May-2016	Cash Credit	Long Term	INR 25.75	SMERA BBB+ / Stable
	Standby Line of Credit	Short Term	INR 1.75	SMERA A2
	Bank Guarantee	Short Term	INR 95	SMERA A2
	Proposed Fund Based	Long Term	INR 32.5	SMERA BBB+ / Stable
	Proposed Non Fund Based	Short Term	INR 95	SMERA A2

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.75	SMERA BBB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA BBB+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	SMERA BBB+ / Stable
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A2
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	69.00	SMERA A2
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	29.00	SMERA A2
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	27.00	SMERA A2
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BBB+ / Stable
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	62.25	SMERA A2

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Shreya Vaidya Rating Analyst Tel: 033-66201217 shreya.vaidya@smera.in	

ABOUT SMERA

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