

Press Release

Shree Vinayak Infratech Private Limited (SVIPL)

20 March 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BB-/Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.20.00 crore of bank facilities of Shree Vinayak Infratech Private Limited (SVIPL). The outlook is '**Stable**'.

SVIPL established in 2008 by Mr. Fateh Chand Chindalia undertakes civil construction projects for Indian Railways (mainly, South Western Railway). The company executes composite infrastructure projects jointly with the RSR group and provides technical expertise to SVIPL. SVIPL undertakes civil construction work such as earthwork, blanketing, major bridges, minor bridges and others.

Analytical Approach:

Acuité has considered standalone business and financial risk profile of SVIPL while arriving at the rating.

Key Rating Drivers:

Strengths

Experienced management

The director of SVIPL Mr. Fateh Chand Chindalia has more than a decade of experience in civil construction work. This experience has resulted in establishing healthy relationship with their customers.

Average financial risk profile

The financial risk profile of the company is marked by low Net worth, comfortable gearing and comfortable debt protection metrics. The net worth of the company stood low at Rs 5.97 crore in FY2019 as increased from Rs. 5.73 crore in FY2018, mainly on account accumulated profit. The gearing of the company stood comfortable at 1.02 times in FY2019 as compared to 1.24times in FY2018. The total debt of Rs. 6.06 crore consist of long term loan of Rs. 1.20 crore, short term debt of Rs.3.37 and unsecured loan from promoters of Rs.1.49 crore as on 31st March 2019 . The interest coverage ratio (ICR) of the company stood comfortable at 2.46 times in FY2019 as compared to 3.88 times in FY2018. The debt service coverage ratio (DSCR) of the company stood low at 0.79 times in FY2019 as compared to 0.95 times in FY2018. The net cash accruals against the total debt stand moderate at 0.26 times in FY2019 as compared to 0.31times in FY2018. Acuité believes that the financial risk profile of the company would be maintained at comfortable levels over the medium term backed by no major capex plan.

Weaknesses

Moderate scale of operation

Though the company has started operation since 2008, the revenue of the company stood moderate at Rs. 25.00 crore in FY2019 as compared to Rs.37.33 crore in previous year. Company has booked Rs.15.00 crroe till 31st January 2020 (Prov.).

Working capital intensive nature of operation

Operations of the company were working capital intensive which is evident from high GCA days of 110 days in FY2019 as against 103 days in FY2018. This is mainly on account of high collection period which stood at 63 days and 72 days for FY2019 and FY2018 respectively. The inventory days has also stands moderate at 28 in FY2019 as compared to 26 in previous year. The company's operations are expected to remain capital intensive as the company is engaged in construction business, which leads to a relatively high collection period mainly due to the inherent cyclical of the industry.

Rating Sensitivity

- Scaling up of operation while improving the profitability margin
- Deterioration in financial risk profile

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals of Rs.1.57 crore in FY2019 as against Rs.0.85 crore yearly debt obligations. The cash accruals of the company are estimated to remain in the range of around Rs. 1.47 crore to Rs. 1.74 crore during 2020-22 against no major repayment obligations. The working capital intensity of the company is marked by gross current asset (GCA) days of 110 days in FY2019. The bank limit is 100 per cent utilized by the company for last six months ended 31st Jan 2020 (Prov.). The current ratio of the company stood at 2.16 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuite believes that the outlook on SVIPL will remain 'Stable' over the medium term backed by its experienced management and healthy relations with its customer and suppliers. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while efficiently managing its working capital cycle and improving its financial risk profile. The outlook may be revised to 'Negative' in case the company fails to achieve envisaged revenue and profitability and its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	25.00	37.33
PAT	Rs. Cr.	0.33	0.95
PAT Margin	(%)	1.31	2.55
Total Debt/Tangible Net Worth	Times	1.02	1.24
PBDIT/Interest	Times	2.46	3.88

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

None

Any other information

None

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Sector – <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
08-Jan-2019	Cash Credit	Long Term	4.00	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	16.00	ACUITE A4+ (Reaffirmed)
12-Jan-2018	Cash Credit	Long Term	4.00	ACUITE BB-/Stable (Upgraded)
	Proposed Long Term Loan	Long Term	3.00	ACUITE BB-/Stable (Assigned)

	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Upgraded)
25-Nov-2016	Cash Credit	Long Term	3.00	ACUITE B+/Stable (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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