

Press Release

Shree Vinayak Infratech Private Limited

July 20, 2021



Rating Downgraded

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

* Refer Annexure for details

Rating Rationale

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

The rating downgrade is driven by significant deterioration in business risk profile of the company marked by continuous dip in the top line along with a sharp contraction in the operating margin of the company during FY2021 (Prov.). The rating downgrade also factors in the deterioration in their financial risk profile and elongation in working capital management. However, these are partially offset by the experienced management of the company.

About the Company

Kolkata based SVIPL established in 2008 by Mr. Fateh Chand Chindalia, Mr. Suraj Chindalia and Ms. Usha 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 the standalone business and financial risk profile of SIVPL while arriving at the rating.

Key Rating Drivers:

Strengths

Long track record of operation and experienced management

The company was established in 2008 by Mr. Fateh Chand Chindalia who has long experience of more than a decade in civil construction work. This experience has helped to establish comfortable relationships with their key suppliers and customers. Acuité believes that the company will benefit from the experienced management to maintain healthy relationship with its customers as well as with suppliers going forward.

Weaknesses

Below average financial risk profile

The financial risk profile of the company is marked by low net worth, high gearing and low debt protection metrics. The net worth of the company stood low at Rs.4.10 crore in FY 2021 (Prov.) as compared to Rs 6.50 crore in FY2020. This deterioration in networth is mainly due to net loss of Rs.2.39 crore during FY2021 (Prov.). The gearing of the company stood high at 2.24 times as on March 31, 2021 (Prov.) when compared to 1.05 times as on March 31, 2020. This increase in gearing is mainly on account of decline in networth and increase in long term debt during the period. Interest coverage ratio (ICR) is low at (0.29) times in FY2021 (Prov.) as against 2.39 times in FY 2020. The debt service coverage ratio (DSCR) of the company also stood low at (0.20) times in FY2021 (Prov.) as compared to 1.45 times in the previous year. The net cash accruals to total debt (NCA/TD) stood low at (0.16) times in FY2021 (Prov.) as compared to 0.19 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain at the same level on account of low net cash accruals and low networth base.

Working capital intensive nature of operation

The working capital intensive nature of operation is marked by high gross current asset (GCA) days of 441 days in FY2021 (Prov.) as compared to 355 days in the previous year. This increase in GCA days is mainly on account of increase in debtor days to 148 days in FY2021 (Prov.) as compared to 101 days in the previous year. Moreover, the inventory holding period of the company also stood high at 231 days in FY2021 (Prov.) as compared to 226 days in the previous year. Further, the inventory holding period has been significantly increased in FY2020 to 226 days from 28 days in the previous year. This is on account of increase in work-in-progress inventory during 31st March 2020, which further coincided with the nation-wide lock down. Acuité believes any further elongation in working capital would be a key rating sensitivity factor.

Rating Sensitivity

- Improvement in scale of operation and profitability margin
- Further deterioration in financial risk profile
- Working capital management

Material Covenant

None

Liquidity Position: Stretched

The company has stretched liquidity marked by cash losses to the tune of Rs.1.43 crore as compared to Rs. 1.30 crore in the previous year. The cash accruals of the company are estimated to remain in the range of around Rs. 0.92 crore to Rs. 1.82 crore during 2022-24 as against Rs.0.34 crore in FY22, Rs.0.45 crore in FY23 and Rs.0.47 crore in FY24 of long term debt obligations respectively. The current ratio of the company stood comfortable at 2.10 times in FY2021 (Prov.). The working capital intensive nature of operation is marked by high Gross Current Asset (GCA) days of 441 days in FY2021 (Prov.). The bank limit of the company has been ~98 per cent utilized during the last six months ended in June 2021. Moreover, the company has availed a covid emergency fund of Rs.1.20 crore. The said loan is to be repaid over a period of 4 years including 1 year of moratorium. The company not has availed the loan moratorium till August 2020. Acuité believes that the liquidity of the company is likely to be improved over the medium term on account of improvement in cash accruals as against long term debt obligations.

Outlook: Stable

Acuité 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 (Standalone)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	9.03	11.23
PAT	Rs. Cr.	(2.39)	0.53
PAT Margin	(%)	(26.51)	4.72
Total Debt/Tangible Net Worth	Times	2.24	1.05
PBDIT/Interest	Times	(0.29)	2.39

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-52.htm>
- Infrastructure Entities – <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
20-Mar-2020	Cash Credit	Long Term	4.00	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	16.00	ACUITE A4+ (Reaffirmed)
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)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE B+/Stable (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE A4 (Downgraded)

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About Acuité Ratings & Research:

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