

Press Release

SUNSHINE INFRA ENGINEERS INDIA PRIVATE LIMITED

January 16, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 105.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA BBB minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs. 105.00 crore bank facilities of SUNSHINE INFRA ENGINEERS INDIA PRIVATE LIMITED. The outlook is '**Stable**'.

The Andhra Pradesh-based Sunshine Infraengineers India Private Limited (SIIPL), was incorporated in 2000. A Class-I civil construction company, SIIPL undertakes construction of roads, water solution works, highways, buildings and related projects for government and semi-government entities.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

SIIPL was established in 2000 as a proprietorship firm and converted to private limited in 2010. The company is led by Ms. Lalitha Kumari Gudipalli, Mr. Kunduru Nagarjuna Reddy, Mr. Naga Ekambareswara Rao Challa, and Mr. Suresh Makkenna who possess over a decades experience in the construction industry.

- **Long term association with government agencies**

SIIPL has executed projects for Tamil Nadu Road Infrastructure Development Corporation (TNRIDC), National Highway Authority of India (NHAI), State Industries Promotion Corporation of Tamil Nadu Limited (SIPCTL) etc. With the promoter's extensive industry experience and timely execution of projects, the company has been able to establish long-standing relations with its clients. Being government entities, the counter-party default risk is minimal. While risk associated with delayed payment exists, good liaisoning and the promoter's extensive experience have enabled the company collect payments within 50-60 days from work certification.

- **Healthy order book position**

SIIPL has healthy order book position marked by current orders in hand of Rs. 1100 crore as on date (11/01/2018). In FY2017-18, SIIPL booked revenue of Rs. 195.45 crore during the period April 2017 to December 2017.

- **Healthy scale of operations**

The company registered operating income of Rs. 237.40 crore in FY2016-17 compared to Rs.257.49 crore in FY2015-16. Being a civil contractor, the revenue of SIIPL depends on the number of successful bids and tenders released in the financial year.

- **Efficient working capital management and comfortable liquidity**

SIIPL has exhibited efficient working capital management. This was mainly on account of quick payments received from customers due to established relations of over 17 years. The company has cash and bank balance of Rs.1.52 crore as on 31 March, 2017. Net cash accruals stood at Rs.16.39 crore in FY2016-17 as against Current Portion of Long-Term Debt (CPLTD) of Rs.10.61 crore. The Gross Current Asset (GCA) days stood at 132 in FY2017 on account of debtors and inventory of 60 and 26 respectively in FY2017.

Weaknesses

• Moderate financial risk profile

SIIPL has moderate financial risk profile marked by networth of Rs.28.53 crore as on 31 March, 2017 compared to Rs.24.69 crore as on 31 March, 2016. The Interest Coverage Ratio stood at 3.10 times for FY2017 compared to 4.58 times for FY2016. The Debt to Equity ratio stood at 2.46 times as on 31 March, 2017 as against 1.31 times as on 31 March, 2016. Further, the Debt Service Coverage Ratio (DSCR) stood at 1.77 times for FY2017 and 2.71 times for FY2016.

• Competitive and fragmented industry

The civil construction sector is marked by the presence of several mid to big sized players. The company faces intense competition from other players. Risk becomes more pronounced as tenders are based on the minimum amount of bidding of contracts. However, the risk is mitigated to an extent as the management has been in the business for 17 years.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the company to arrive at the rating.

Outlook: Stable

SMERA believes that SIIPL 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 revenue and net cash accruals while maintaining healthy debt protection metrics. Conversely the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, deterioration in the financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	237.40	257.49	159.79
EBITDA	Rs. Cr.	31.39	23.83	13.21
PAT	Rs. Cr.	6.35	9.21	5.81
EBITDA Margin	(%)	13.22	9.25	8.26
PAT Margin	(%)	2.67	3.58	3.64
ROCE	(%)	27.84	42.18	63.93
Total Debt/Tangible Net Worth	Times	2.46	1.31	1.84
PBDIT/Interest	Times	3.10	4.58	4.69
Total Debt/PBDIT	Times	2.21	1.33	1.76
Gross Current Assets (Days)	Days	132	94	96

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smerra.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA A3
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A3
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A3

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