

Press Release

Sunshine Infra Engineers India Private Limited

December 27, 2018



Rating Downgraded

Total Bank Facilities Rated*	Rs. 250.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE BBB-/Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A3)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and short term rating to '**ACUITE D**' (read as **ACUITE D**) from **ACUITE A3** (read as **ACUITE A three**) to the Rs.250.00 crore bank facilities of Sunshine Infra Engineers India Private Limited (SIPL).

The downgrade of the rating reflects delays in servicing of debt obligations. The account is classified as Non-performing account.

The Andhra Pradesh-based, SIPL was incorporated in 2000 and is engaged as a Class-I civil construction company. The company undertakes construction of roads, water solution works, highways, buildings and related projects for government and semi-government entities.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SIPL to arrive at this rating.

Key Rating Drivers

Strengths

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

SIPL was established in 2000 as a proprietorship firm and converted to private limited company 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.

Weaknesses

- **Delays in servicing of debt obligations**

The company has delayed in servicing of its debt obligations. It is classified as NPA. The stretch in the liquidity was owing to cancellation of couple of work orders by the principals and mismatch in the cash flows from projects.

- **Below average financial risk profile**

Financial risk profile of the company is below average marked by moderately high gearing, total outside liabilities to total net worth (TOL/TNW) and moderate debt protection metrics. Gearing is high at 2.46 times as on 31 March, 2017 as against 1.31 times as on 31 March, 2016. Deterioration in rating reflects debt funded capital expenditure in FY2017 to purchases vehicles and machinery. TOL/TNW is high at 4.26 times as on 31 March, 2017 as against 3.71 times as on 31 March 2016. Net worth is modest at Rs.28.53 crore as on 31 March, 2017 as against Rs.24.69 crore as on 31 March, 2016. Of the total debt of Rs.70.05 crore as on 31 March, 2017, long term debt constitutes Rs.36.43 crore and short term debt of Rs.33.62 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt are moderate at 3.10 times and 0.23 times respectively in FY2017. Debt service coverage ratio is average at 1.77 times in FY2017 as against 2.71 times in FY2016. The ability of the company to improve the financial risk profile would be the key rating sensitivity factor over the medium term.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY16 (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	2.23	1.36	1.80
Gross Current Assets (Days)	Days	132	94	96

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

CRISIL vide its press release dated November 21, 2018, Sunshine Infra Engineers India Private Limited remained issuer non co-operating.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In 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
25-Jan-2018	Over Draft	Long Term	25.00	ACUITE BBB- /Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- /Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- /Stable (Reaffirmed)
	Proposed Secured Overdraft	Long Term	65.00	ACUITE BBB- /Stable (Assigned)
	Bank Guarantee	Short Term	40.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	80.00	ACUITE A3 (Assigned)
16-Jan-2018	Over Draft	Long Term	25.00	ACUITE BBB- /Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- /Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- /Stable (Assigned)
	Bank Guarantee	Short Term	40.00	ACUITE A3 (Assigned)

	Bank Guarantee	Short Term	15.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Over Draft	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE D (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE D (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE D (Downgraded)
Proposed Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	65.00	ACUITE D (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE D (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE D (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE D (Downgraded)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	80.00	ACUITE D (Downgraded)

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About Acuité Ratings & Research:

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