

Press Release

Shreehari Associates Private Limited

April 09, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 95.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 95.00 crore bank facilities of Shreehari Associates Private Limited (SAPL). The outlook is 'Stable'.

SAPL, incorporated in 2002, is an Aurangabad (Maharashtra) based company promoted by Mr. Sacheen Mulay. The company undertakes construction of roads, dam, water reservoirs, irrigation projects and infrastructure development for industries. SAPL is registered as Class A Category contractor.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Shreehari Associates Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

SAPL is promoted by Mr. Sacheen Mulay who also manages the day to day operations of the company. He has an experience of more than two decades in the same line of business. SAPL is engaged in providing construction of roads, dam, water reservoirs, irrigation projects and infrastructure development for industries under government and semi-government entities. The promoter's extensive experience is also reflected through its reputed clientele. SAPL caters to reputed clientele such as Maharashtra State Road Development Corporation (MSRDC) and irrigation department to name a few. SAPL's order book position remains healthy at Rs.500.00 crore as on March, 2019 out of which Rs.130.00 crore worth of orders are already executed as on 31 March, 2019. Hence, the healthy order book provides modest revenue visibility for the company over the medium term. Acuite believes that the company will continue to benefit through the promoter's extensive industry experience over the medium term.

• Moderate financial risk profile

SAPL's financial risk profile is marked by its average net worth, low gearing and moderate debt protection measures. The net worth increased to Rs.52.51 crore as on 31 March, 2018 as against Rs.50.56 crore in the previous year on account of increasing revenue, leading to higher accretion to reserves. The company's gearing is estimated to be low at 1.59 times as on 31 March, 2018 as against 1.10 times in the previous year. The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 1.59 times as on March 31, 2018. The total debt of Rs.83.48 crore consists of long term debt of Rs.37.67 crore, Rs.4.10 crore of unsecured loans from promoters and relatives and Rs.41.71 crore of short term debt obligations. The healthy revenue growth coupled with moderate profitability levels have resulted in healthy net cash accruals of Rs.4.41 crore during 2016-18, while the debt levels have remained low at around Rs.83.48 crore during the same period, leading to healthy debt protection measures. The interest coverage ratio stood at 1.70 times in FY18 as against 1.94 times in the previous year. NCA/TD ratio stood 0.05 times in FY18. Acuite believes that the financial risk profile will continue to remain moderate on account of healthy cash accruals and minimal reliance on debt.

Weaknesses

• Working capital intensive operations and stretched liquidity

The working capital operations of SAPL are intensive reflected by Gross Current Assets (GCA) which stood at 638 days, driven by debtors of 194 days and inventory of 420 days, as on March 31, 2018. Inventory is expected to be around similar levels over the medium term. Working capital requirement is funded through bank lines that have been 100 percent utilised over the six months through February 2019. Creditors were at 402 days as on March 31, 2018.

• Profitability susceptible to fluctuations in raw material prices

The prices of the main raw materials - iron, steel and cement are highly volatile in nature with raw material cost constituting around 60 percent of the total revenue. Hence, any adverse movement in raw material prices can impact profitability. However, the company reported EBITDA margin of 18.35 percent for FY2017 as against 16.25 percent in the previous year.

Outlook: Stable

Acuite believes that the outlook on SAPL's rated facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience in the industry. The outlook may be revised to 'Positive' in case of strong growth in scale of operations while sustaining improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the scale of operations, profitability and capital structure.

Liquidity position

SAPL has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.50 to Rs. 5.75 crore during the last three years through 2017 - 18, while its maturing debt obligations were in the range of Rs.5.75 to Rs. 8.30 crore over the same period. The cash accruals of the company are estimated to remain at around Rs. 8.50 - Rs.26.50 crore during 2019-21. The company's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 638 in FY 2018. The company maintains unencumbered cash and bank balances of Rs.0.31 crore as on March 31, 2018. The current ratio of the company stood moderate at 1.25 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of moderate cash accrual while its maturing debt obligations are estimated to be in the range of Rs.5.50 to Rs. 6.50 crore.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	69.49	51.63	64.18
EBITDA	Rs. Cr.	12.75	8.39	13.22
PAT	Rs. Cr.	1.95	4.29	1.02
EBITDA Margin	(%)	18.35	16.25	20.59
PAT Margin	(%)	2.80	8.31	1.59
ROCE	(%)	10.11	13.83	24.24
Total Debt/Tangible Net Worth	Times	1.59	1.10	1.42
PBDIT/Interest	Times	1.70	1.94	1.54
Total Debt/PBDIT	Times	5.65	3.47	4.37
Gross Current Assets (Days)	Days	638	801	665

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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
02-Feb-2018	Cash Credit	Long Term	28.20	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	0.78	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	2.49	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	1.81	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	3.73	ACUITE B+ / Stable (Assigned)
	Term Loan	Long Term	1.55	ACUITE B+ / Stable (Assigned)
	Proposed Term Loan	Long Term	1.44	ACUITE B+ / Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A4 (Assigned)
	Proposed Letter of Credit	Short Term	30.00	ACUITE A4 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.20	ACUITE B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.88	ACUITE B+ / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4 (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A4 (Reaffirmed)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.92	ACUITE A4 (Reaffirmed)

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About Acuite Ratings & Research:

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