

Press Release

SHREE PADMAVATI ENGINEERS (INDIA) PRIVATE LIMITED

9 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 27.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 27.00 crore bank facilities of SHREE PADMAVATI ENGINEERS (INDIA) PRIVATE LIMITED. The outlook is '**Stable**'.

Shree Padmavati Engineers India Private limited (SPEIPL) is part of the Shree Khodiyar group incorporated in 2002. The civil construction company, promoted by Mr. Bhimani and family, undertakes turnkey contracts (Plumbing & Sanitation), execution of utility services, drainage among others.

Key Rating Drivers

Strengths

- **Experienced management**

The company was incorporated in 2002 by Mr. Vrajlal Bhimani, Mr. Dilip Bhimani and Mr. Jayeshkumar Bhimani. The management has extensive experience through its group company, Shree Khodiyar group in the said line of business since 1990.

- **Healthy order book position**

SPEIPL has healthy unexecuted order book position of Rs. 124.22 crore from Lodha, Tata Consultancy services and Tata center which provide future revenue visibility.

- **Growing scale of operations, improvement in profitability margins**

The scale of operations has been healthy during FY2015 to FY2017. The revenue stood at Rs. 31.30 crore in FY2017 as against Rs. 16.03 crore in FY2016. The EBITDA margins improved to 7.50 percent in FY2017 from 5.12 percent in FY2016 on account of fall in employee cost. The PAT margins stood at 2.27 percent in FY2017 as against 1.14 percent in FY2016.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile is moderate marked by low net worth of Rs. 4.13 crore as on 31 March, 2017 as against Rs. 3.42 crore as on 31 March, 2016. The gearing stood at 1.47 times as on 31 March, 2017 as against 1.00 times as on 31 March, 2016. The total debt of Rs. 6.07 crore outstanding as on 31 March, 2017 comprises Rs.3.54 crore of term loan from banks and Rs. 2.15 crore of working capital limits. The Interest Coverage ratio stood comfortable at 2.65 times in FY2017 as against 1.65 times in FY2016. The Debt Service Coverage Ratio stood at 1.84 times in FY2017 as against 1.38 times in FY2016. The net cash accruals stood at Rs. 1.03 crore in FY2017 as against Rs. 0.38 crore in FY2016. The net cash accruals to total debt stood at 0.17 times in FY2017 and 0.11 times in FY2016.

- **Working capital intensive operations**

The company has working capital intensive operations reflected in the high Gross Current Asset days of 265 in FY2017 as against 352 in FY2016. The inventory holding period has been high at 82 days in FY2017 as against 58 days in FY2016. The receivable days stood at 80 days in FY2017 as against 116 days in FY2016. The company receives extended credit of ~ 200 days from suppliers which moderates the working capital requirements. The average bank limit utilisation stood at about 90 percent for the last six months ended November 2017.

- **Highly competitive and fragmented industry**

SPEIPL operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of players in the unorganised sector limits its bargaining power with customers.

Analytical Approach

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

Outlook: Stable

SMERA believes that SPEIPL will maintain a Stable outlook and continue to benefit over the medium term from its promoters' extensive industry experience and healthy relations with customers and suppliers. The outlook may be revised to 'Positive' if the company generates substantial and sustainable revenues or operating margins thereby resulting in improvement in its existing business risk profiles especially market position. Conversely, the outlook may be revised to 'Negative' if the group's working capital cycle further deteriorates resulting in weakening of its existing financial risk profile particularly liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	31.30	16.03	15.45
EBITDA	Rs. Cr.	2.35	0.82	0.96
PAT	Rs. Cr.	0.71	0.18	0.32
EBITDA Margin (%)	(%)	7.50	5.12	6.22
PAT Margin (%)	(%)	2.27	1.14	2.06
ROCE (%)	(%)	27.81	16.85	35.00
Total Debt/Tangible Net Worth	Times	1.47	1.00	0.43
PBDIT/Interest	Times	2.56	1.65	2.61
Total Debt/PBDIT	Times	2.53	2.88	1.55
Gross Current Assets (Days)	Days	265	352	235

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>
- 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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	16.50	SMERA A4
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA A4

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ABOUT SMERA

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