

Press Release

Shree Padmavati Engineers (India) Private Limited

May 28, 2019



Rating Upgraded

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

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BB**'-'**(read as ACUITE double B minus)**' and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) from '**ACUITE A4**'(**read as ACUITE A four**) to the Rs. 27.00 crore bank facilities of Shree Padmavati Engineers (India) Private Limited (SPEPL). The outlook is '**Stable**'.

The upgrade in the rating is in the view of continuous improvement in operating income, moderate debt protection measures and increasing no. of orders which the company has managed to get by bidding in private as well as government projects leading to improvement in financial risk profile.

Shree Padmavati Engineers (India) Private Limited (SPEPL) 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 and drainage among others.

Analytical Approach

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

Key Rating Drivers

Strengths

• **Established track record of operations and experience management**

SPEPL is promoted by Mr. Vrajlal Bhimani who also manages the day to day operations of the company. He has an experience of around two decades in the same line of business. SPEPL is engaged in providing (Plumbing & Sanitation), execution of utility services and drainage. The promoter's extensive experience is also reflected through the healthy revenue growth over the last 3 years through 2017-18. The company's revenue grew at a CAGR of ~40 percent to Rs.43.53 crore over the aforementioned period. SPEPL's order book position remains healthy at Rs.125.00 crore as on 30th April, 2019. Hence, the healthy order book provides modest revenue visibility for the company over the medium term. Acuité believes that the company will continue to benefit through the promoter's extensive industry experience over the medium term.

• **Average Financial risk profile**

SPEPL's financial risk profile is marked by its low net worth, low gearing and moderate debt protection measures. The net worth increased to Rs.5.91 crore as on 31 March, 2018 as against Rs.4.13 crore in the previous year on account of increasing revenues and stable profitability leading to higher accretion to reserves. The company's gearing is estimated to be low at 0.87 times as on 31 March, 2018 as against 1.47 times in the previous year. The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 1.47 times as on March 31, 2017. The total debt of Rs.5.14 crore consists of long term debt of Rs.3.03 crore, and Rs.2.11 crore of short term debt obligations. The moderate profitability levels has resulted in moderate net cash accruals of Rs.2.09 crore during 2016-18, while the debt levels have remained low at around Rs.5.14 crore during the same period, leading to moderate debt protection measures. The interest coverage ratio stood at 3.47 times in FY18 as against 2.56 times in the previous year. NCA/TD ratio stood 0.41 times in FY18. Acuité believes that the financial risk profile will continue to remain moderate on account of healthy cash accruals.

Weaknesses

- **Working capital intensive nature of operations**

The operations are working capital intensive as reflected in the Gross Current Asset (GCA) of 208 days in FY2018 compared to 228 days in FY2017. The high GCA days are due to stretched debtors and high retention money. The debtor days stood at 90 days in FY 2018 compared to 80 days in FY2017. The company has on an average utilised ~ 90 per cent of its working capital limits in the last six months ended March 2019.

- **Highly competitive and fragmented industry**

SPEPL 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.

Liquidity Position

SPEPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of ~Rs.0.36 to Rs. 2.00 crore during the last three years through 2017 - 18, while its maturing debt obligations were in the range of ~Rs.0.13 to Rs. 1.50 crore over the same period. The cash accruals of the company are estimated to remain at around Rs. 2.50 - Rs.3.50 crore during 2019-21. The company's operations are moderately working capital intensive as marked by Gross Current Asset (GCA) days of 208 in FY 2018. The company maintains unencumbered cash and bank balances of Rs.0.06 crore as on March 31, 2018. The current ratio of the company stood moderate at 1.18 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual while maturing debt obligations are between Rs. 0.40 crore to Rs.0.50 crore.

Outlook: Stable

Acuité believes that the outlook on SPEPL's rated facilities will remain stable over the medium term on account of its promoter's extensive experience, moderate financial risk profile. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	43.53	31.30	16.03
EBITDA	Rs. Cr.	3.45	2.35	0.80
PAT	Rs. Cr.	1.78	0.71	0.16
EBITDA Margin	(%)	7.92	7.50	5.00
PAT Margin	(%)	4.08	2.27	1.02
ROCE	(%)	34.98	25.43	16.51
Total Debt/Tangible Net Worth	Times	0.87	1.47	1.00
PBDIT/Interest	Times	3.47	2.56	1.62
Total Debt/PBDIT	Times	1.32	2.53	2.93
Gross Current Assets (Days)	Days	208	228	352

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities -<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
18-April-2019	Cash Credit	Long Term	3.00	ACUITE BB- (Indicative)
	Bank Guarantee	Short Term	16.50	ACUITE A4 (Indicative)
	Proposed Bank Guarantee	Short Term	7.50	ACUITE A4 (Indicative)
09-Feb-2018	Cash Credit	Long Term	3.00	ACUITE BB- / Stable (Assigned)
	Bank Guarantee	Short Term	16.50	ACUITE A4 (Assigned)
	Proposed Bank Guarantee	Short Term	7.50	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	3.00	ACUITE BB / Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE A4+ (Upgraded)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4+ (Upgraded)

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About Acuité Ratings & Research:

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