

## Press Release

### Shinde Developers Private Limited

07 May, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.65.00 Cr.
<b>Long Term Rating</b>	SMERA BBB/ Outlook: Stable
<b>Short Term Rating</b>	SMERA A3+

*\* Refer Annexure for details*

### Rating Rationale

SMERA has assigned a long term rating of '**SMERA BBB**' (read as **SMERA triple B**) and the short term rating of '**SMERA A3+**' (read as **A three plus**) on the Rs. 65.00 cr. bank facilities of Shinde Developers Private Limited. The outlook is '**Stable**'.

Pune based Shinde Developers Private Limited was established in the year 1997 by Mr. Sunil Shinde. The company is engaged in the construction and designing of roads, highways, tunnels, dams, canals etc. The company undertakes civil construction activities for the government as well as private players.

### Key rating drivers

#### Strengths

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

SDPL is primarily engaged in the field of public civil construction for the past 2 decades and has had a long track record of executing projects in a reasonable time frame. The directors, Mr. Sunil Shinde, Mr. Satyajit Shinde and Mr. Chandrasen Ghatge who look after the operations of the company have an experience of over two decades in aforementioned line of business.

#### **Healthy order book position**

The company registered operating income of Rs. 90.10 crore in FY2017 as against Rs. 90.85 crore in FY2016. Further during the period FY2018, the company has registered gross revenues of ~Rs.105.87 crore. Moreover, the company has an order book position of ~Rs. 1139.00 crore as on 28 April, 2018 which gives the revenue visibility over the medium term.

#### **Moderate financial risk profile**

SDPL has an average financial risk profile marked by tangible net worth of Rs. 46.18 crore as on 31 March, 2017 as against Rs. 42.19 crore as on 31 March, 2016. The gearing stood at 0.52 times as on 31 March, 2017 as against 0.56 times as on 31 March, 2016. Interest Coverage Ratio (ICR) stood at 2.29 times for FY 2017 as against 4.49 times in FY2016. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.67 times as on 31 March, 2017 as against 1.92 times as on 31st March, 2016.

## Weaknesses

### **Working capital intensive operations**

SDPL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 249 days in FY2017 compared to 263 days in FY2016. The GCA days are mainly dominated by high debtor days of 101 days in FY2017 compared to 47 days in FY2016. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

### **Competitive industry scenario**

The company is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent on account of extensive experience of the management.

### **Execution risks remain as the company has recently won large orders**

The company has a strong revenue visibility with an order book/FY2017 income level at 12.65 times. The company is exposed to execution risks as ~67% of its orders are recent awards and are yet to start. However, the established track record and experienced management will aid the company in execution of the large order book. Further, the company has high dependence on these large orders for revenue booking, as top 3 orders constitute for 90% of the pending order book position.

## **Analytical approach:**

SMERA has considered the standalone business and financial risk profiles of Shinde Developers Private Limited to arrive at the rating.

## **Outlook – Stable**

SMERA believes SDPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile, liquidity position or delay in completion of its projects.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	90.10	90.85	58.40
EBITDA	Rs. Cr.	15.75	14.45	15.13
PAT	Rs. Cr.	5.01	11.54	6.17
EBITDA Margin	(%)	17.48	15.91	25.91
PAT Margin	(%)	5.56	12.71	10.56
ROCE	(%)	19.38	29.34	39.10
Total Debt/Tangible Net Worth	Times	0.52	0.56	0.87
PBDIT/Interest	Times	2.92	4.34	2.47
Total Debt/PBDIT	Times	1.45	1.00	1.86
Gross Current Assets (Days)	Days	249	263	430

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

India Ratings and Research in its press release dated 26 April, 2018 had inter-alia mentioned the following: 'ISSUER NOT COOPERATING: The ratings were last reviewed on 10 April 2017. Ind-Ra is unable to provide an update, as the agency does not have adequate information to review the ratings.'

### Any other information:

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities in the infrastructure sector - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.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	15.00	SMERA BBB/ Stable
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA BBB/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA A3+

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## ABOUT SMERA

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