

Press Release

Shinde Developers Private Limited

July 19, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs.65.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable (Downgraded from ACUITE BBB/Stable)
Short Term Rating	ACUITE A4+ (Downgraded from ACUITE A3+)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) and short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs. 65.00 crore bank facilities of SHINDE DEVELOPERS PRIVATE LIMITED (SDPL). The outlook is '**Stable**'.

The rating downgrade is on account of deterioration in working capital management evident from stretched debtor days of 153 in FY2019 (PY: 114 days). The gross current assets (GCA) stood at 237 days in FY2019 (PY: 319 days). GCA mainly constitutes of receivables of Rs. 80.51 crore along with other current assets. This has led to higher reliance on working capital borrowings evident from fully utilised bank limits. However, the ratings factor in the experienced management and long track record of operations.

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.

Analytical Approach

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

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.

- Moderate financial risk profile**

SDPL has a moderate financial risk profile marked by tangible net worth of Rs. 62.58 crore (Provisional) as on 31 March, 2019 as against Rs. 54.58 crore as on 31 March, 2018. The gearing stood at 1.29 times (Provisional) as on 31 March, 2019 as against 0.91 times as on 31 March, 2018. The deterioration in gearing is on account of additional term loans availed by the company for purchasing equipments. The total debt of Rs. 80.75 crore (Provisional) includes term loans of Rs. 47.05 crore, working capital borrowings of Rs. 33.69 crore and unsecured loans of Rs. 0.01 crore. Interest Coverage Ratio (ICR) stood at 2.57 times (Provisional) and Debt Service Coverage Ratio (DSCR) stood at 1.13 times (Provisional) for FY 2019 as against 2.98 times and 2.64 times respectively in previous year. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.05 times (Provisional) as on 31 March, 2019 as against 1.56 times as on 31st March, 2018.

Weaknesses

• Working Capital Intensive Operations

SDPL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 237 days in FY2019 compared to 319 days in FY2018. The GCA days are mainly dominated by high debtor days of 153 days in FY2019 compared to 114 days in FY2018. Acuite 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.

Liquidity Position

The group has adequate liquidity marked by net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.8.41-15.92 crore during the four years through 2016-19 with debt obligations in the range of Rs. 0.26-12.00 crore over the same period. The cash accruals of the company are estimated to remain in similar lines during 2020-22. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 237 in FY 2019. The bank limits have been fully utilised over the last six months. The current ratio of the company stands moderate at 1.46 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual over the near to medium term.

Outlook: Stable

Acuite believes the group will maintain a stable business risk profile over the medium term owing to its established operations and experienced management. The outlook may be revised to "Positive" if in case of improvement in working capital management while maintaining its financial risk profile. Conversely, the outlook may be revised to "Negative" in case of significant delays in project implementation or further elongation working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	192.78	107.91	90.10
EBITDA	Rs. Cr.	27.06	15.73	15.75
PAT	Rs. Cr.	8.00	5.37	5.01
EBITDA Margin	(%)	14.04	14.57	17.48
PAT Margin	(%)	4.15	4.97	5.56
ROCE	(%)	17.74	14.37	19.38
Total Debt/Tangible Net Worth	Times	1.29	0.91	0.52
PBDIT/Interest	Times	2.57	2.98	2.92
Total Debt/PBDIT	Times	2.98	2.91	1.45
Gross Current Assets (Days)	Days	237	319	342

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>
- 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
07-May-2018	Cash Credit	Long Term	15.00	ACUITE BBB / Stable (Assigned)
	Working Capital Demand Loan	Long Term	20.00	ACUITE BBB / Stable (Assigned)
	Bank guarantee	Short Term	30.00	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB+ / Stable (Downgraded)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB+ / Stable (Downgraded)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A4+ (Downgraded)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Aishwarya Phalke Senior Analyst - Rating Operations Tel: 022-49294054 aishwarya.phalke@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

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