

Press Release

Shree Khodiyar Engineers India Private Limited

August 21, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 19.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 19.50 crore bank facilities of Shree Khodiyar Engineers India Private Limited. The outlook is '**Stable**'.

Shree Khodiyar Engineers India Private limited (SKEIPL) is a part of Shree Khodiyar group and was incorporated in 1992 is a Mumbai, Maharashtra based company. The company is promoted by the Bhimani family. The company is engaged as an MEP contractor for Design, Execution & Commissioning of Utility Services, Turnkey contracts in Plumbing & Sanitation, Drainage, Sewage & Sewage Treatment Plants, Water Treatment Plants, and Fire Fighting & Fire Alarm Systems. The projects are executed all over India but majorly from Mumbai, Maharashtra.

Key Rating Drivers

Strengths

- **Moderate order book position**

SKEPL has moderate unexecuted order book position of Rs. 38.00 crores from Lodha, Godrej Properties and N D Developers to name a few which gives future visibility of revenues.

- **Average financial risk profile**

The financial risk profile of the company is moderate marked by net worth of Rs. 4.22 crores as on 31 March 2018 (Provisional) as against Rs. 4.02 crores as on 31 March 2017. The gearing stood at 0.65 times 31 March 2018 (Provisional). The total debt of Rs. 2.75 crores outstanding as 31 March 2018 (Provisional) is working capital limits from the bank. The Interest coverage ratio stood comfortable at 4.72 times in FY2018 (Provisional) as against 4.19 times in FY2017. The debt service coverage ratio stood at 3.40 times in FY2018 (Provisional) as against 2.83 times in FY2017.

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

The company was incorporated in the year 1992 by Bhimani and family thereby establishing track record for more than two decades. The company is engaged in civil constructions work such as Design Execution & Commissioning of Utility Services and Turnkey contracts in Plumbing & Sanitation etc. and the projects are mainly done in Mumbai. Acuite believes that the company will be benefited by established track record of operations and experienced management over the medium term

Weaknesses

- **Small scale of operations**

The company has small scale of operations marked by fluctuating revenue profile during the period FY2016 to FY2018 under the study. The operating income stood at Rs. 14.40 crore in FY2018 (Provisional) as against Rs. 12.06 crore in FY2017 and Rs. 18.92 crore in FY2016. Despite being into similar line of business for more than two decades the company operates on small scale of operations.

- **Working capital intensive operations**

The company has working capital intensive operations reflected in high gross current asset days of 182 days in FY2018 (Provisional) as against 237 days in FY2017. The inventory holding period is low at 11 days in FY2018 (provisional) and in FY2017. The receivable days stood at 45 days in FY2018 (Provisional)

as against 76 days in FY2017. The company receives extended credit of ~120 to 130 days from the suppliers which moderates the working capital requirements. The average bank limit utilization stood at 80-90% for the last six months ended June 2018.

Analytical Approach

Acuite has considered standalone business and financial risk profile of SKEIPL to arrive at the rating.

Outlook: Stable

Acuite believes that the SKEPL would 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	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	14.40	12.06	18.92
EBITDA	Rs. Cr.	1.38	0.58	1.27
PAT	Rs. Cr.	0.70	0.60	0.31
EBITDA Margin	(%)	9.57	4.83	6.74
PAT Margin	(%)	4.84	4.94	1.66
ROCE	(%)	20.19	10.65	21.64
Total Debt/Tangible Net Worth	Times	0.65	0.65	0.73
PBDIT/Interest	Times	4.72	4.19	2.49
Total Debt/PBDIT	Times	1.82	1.80	2.06
Gross Current Assets (Days)	Days	182	237	166

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

CRISIL, vide its press release dated April 03 2018 had denoted the rating of Shree Khodiyar Engineers India Private Limited as 'CRISIL BB-/Stable A4+; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

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)

Not Applicable

*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
Bank guarantee/Letter of	Not	Not	Not	16.50	ACUITE A4+

Guarantee	Applicable	Applicable	Applicable		
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Bank Guarantee includes sublimit as LC to the extent of Rs. 1.00 crore

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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