

Press Release

Shree Khodiyar Engineers India Private Limited

March 04, 2020



Rating Reaffirmed

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

Acuité has reaffirmed the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and the short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.19.50 crore bank facilities of SHREE KHODIYAR ENGINEERS INDIA PRIVATE LIMITED (SKEIPL). The outlook is '**Stable**'.

Mumbai based, Shree Khodiyar Engineers India Private Limited was incorporated in 1992. The company is engaged in Design, Execution & Commissioning of Utility Services on MEP contract basis, turnkey contracts in Plumbing & Sanitation, Drainage, Sewage & Sewage Treatment Plants, Water Treatment Plants, and Fire Fighting & Fire Alarm Systems. The company receives orders from Lodha Group and Godrej Properties Limited to name a few.

Analytical Approach

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

Key Rating Drivers

Strengths

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

SKEIPL was incorporated in 1992. The current directors of the company are Mr. Pankaj Bhimani and Mr. Manish Bhimani who have an experience of more than two and a half decades in the aforementioned line of business. The established track record of operations and experience of management have helped the company to develop healthy relationships with clientele and suppliers.

Acuité believes that SKEIPL will sustain its existing business profile backed by established track record of operations and experienced management.

- **Above average financial risk profile**

SKEIPL has above average financial risk profile marked by low gearing and above average debt protection metrics. The net worth stood low at Rs.3.82 crore as on 31 March, 2019 as against Rs.3.29 crore as on 31 March 2018 due to modest accretion to reserves. However, the company has followed a conservative financial policy in the past, the same is reflected through its gearing levels of 0.84 times as on March 31, 2018. The gearing improved to 0.65 times as on March 31, 2019. The total debt in FY2019 comprised working capital requirement of Rs.2.58 crore. Further, the interest coverage ratio stood at 1.98 times for FY2019. Total outside liabilities to total net worth (TOL/TNW) stood at 3.50 times as on 31 March, 2019 as against 2.59 times as on 31 March, 2018.

Acuité believes that financial risk profile of the company is likely to remain above average over the medium term, on account of low gearing and above average debt protection metrics.

Weaknesses

- **Working capital intensive nature of operations**

The company's operations are working capital intensive in nature as reflected in Gross Current Assets (GCA) of 547 days in FY2019 as against 522 days in FY2018. GCA days remained high due to high

inventory holding period of 248 days in FY2019 as against 188 days in FY2018. The debtor collection period stood at 123 days in FY2019 as compared to 162 days in FY2018.

Acuité believes that the working capital operations of the company will continue to remain intensive over the medium term on account of the high inventory holding period and the credit period extended to its customers.

- **Highly competitive and fragmented nature of industry**

The company is operating in a highly competitive and fragmented industry with large number of players present in the market, which limits its bargaining power. However, the risk is mitigated to an extent on account of established track record of operations and experienced management.

Liquidity position: Adequate

SKEIPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 0.65 crore for FY2019 with no major debt repayment obligation for the same period. The cash accruals of SKEIPL are estimated to remain in the range of around Rs. 1.21 crore to Rs. 1.35 crore during 2020-22 against no major debt repayment obligations in the same period. The company's working capital operations are intensive marked by 547 gross current asset (GCA) days for FY2019. The average bank limit utilization for the last six months ended January 2020 remained ~88.69 percent. The company maintains unencumbered cash and bank balances of Rs.3.61 crore as on 31 March 2019. The current ratio stood at 1.10 times as on 31 March 2019. Acuité believes that the liquidity of the company is likely to remain adequate on account of adequate cash accrual against debt repayments over the medium term.

Rating Sensitivities:

- Substantial improvement in operating income
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Material Covenants

None

Outlook: Stable

Acuité believes that SKEIPL will maintain a 'Stable' outlook on account of experienced management. The outlook may be revised to 'Positive' in case of significant improvement in working capital operations while, maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in scale of operations or profitability or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	8.51	5.15
PAT	Rs. Cr.	0.53	(0.73)
PAT Margin	(%)	6.18	(14.14)
Total Debt/Tangible Net Worth	Times	0.65	0.84
PBDIT/Interest	Times	1.98	(0.43)

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

CRISIL, vide its press release dated July 03, 2019 had denoted the rating of Shree Khodiyar Engineers India Private Limited as 'CRISIL B+/Stable/CRISIL A4; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.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
14-Oct-2019	Cash Credit	Long term	3.00	ACUITE BB- Issuer not co-operating*
	Bank Guarantee	Short Term	16.50	ACUITE A4+ Issuer not co-operating*
21-Aug-2018	Cash Credit	Long term	3.00	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short Term	16.50	ACUITE A4+ (Assigned)

*The issuer did not co-operate; based on best available information.

***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	2.50 (Reduced from Rs. 3.00 crore)	ACUITE BB-/ Stable (Reaffirmed)
Bank Guarantee*	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB-/Stable (Assigned)

*Includes sub-limit for Letter of Credit to the extent of Rs. 1.00 crore.

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About Acuité Ratings & Research:

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