

Press Release

Shrishri Infrastructure Private Limited

May 28, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Short Term Rating	ACUITE BB/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB**' (read as **ACUITE double BB**) on the Rs. 15.00 cr. bank facilities of Shrishri Infrastructure Private Limited (SIPL). The outlook is '**Stable**'.

SIPL, incorporated in 2011 was promoted by Mr. Shrikant Khatod and his brother, Mr. Shriram Khatod. The company is engaged in development of private residential and commercial building projects at Jalgaon district (Maharashtra). The company is also engaged in civil construction business and executes several government contracts in Jalgaon district of Maharashtra.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced Management

SIL was promoted by Mr. Shrikant Khatod and Mr. Shriram Khatod. The company is engaged in construction and real estate business. Under various SPVs and JVs, the company has completed development of 10 real estate projects in Maharashtra. The promoter family has been associated with the real estate business for more than five decades and the fourth generation of the family is currently managing the operations of the company. In FY 20, the company has successfully completed its real estate project named shrishri lake pride, and will focus on construction business in the medium term.

Healthy order book position

The company had entered into construction business in 2018 to expand its business profile. The company has a healthy order book of around Rs 185 crores as on April 2020 which provides comfortable medium-term revenue visibility. The company has registered a revenue of Rs 19.87 crores in FY20 (Provisional) as against Rs 16.76 crores in previous year. Acuite believes that the scale of operations of the company would improve over the medium term backed by its healthy order book.

Weaknesses

Working capital intensive operations

The company has high working capital intensity as evident from its high gross current asset (GCA) days of 1103 days in FY'19 and 763 days in the previous year. The high GCA days are due to high inventory of around 522 days and debtors of around 45 days as on March 31, 2019. Reason for inventory days is large amount of Work in Progress. In FY20, GCA days is expected to remain at around 735 days in FY20 due to rise in debtor days. Acuite believes company will continue to witness high working capital requirement due to high debtor days.

Modest financial profile

The financial risk profile of the company is marked by modest net worth, comfortable gearing and modest coverage indicator. Net worth of the company stood at around Rs. 35.27 crore as on 31st March'20 (Prov) as against Rs 31.21 crore in the previous year. The gearing of the company is expected to be around 0.16 times as on 31st March 2020 as against 0.45 times as on 31st March, 2019 due to reduction in debt level because of schedule repayment of term loan. Debt protection metrics stood at moderate level as indicated from interest coverage of 1.84 times in FY20 as compared to 1.56 times in previous year. DSCR of the company is also expected to improve to 1.70 times in FY20 as against 1.41 times in previous year. This improvement is driven by

rise in absolute EBITDA backed by rise in revenue during FY20. Acuite believes financial risk profile is likely to remain at modest level in medium term because of expected decline in profitability margin as construction business has lower margin in comparison to real estate business.

Liquidity profile: Stretched

The company has tight liquidity profile as indicated from high utilization of working capital limit which stood at 100.3 percent during last 6 month ended March 2020. There are certain instances of overuse in working capital limit ranging from 1 to 16 days. Moreover, company has a high GCA days of 735 days in FY20 due to high debtor and inventory days. Company has a low cash & bank balance of Rs.0.17 crores during FY20. Acuite believes liquidity profile will continue to remain stretched in medium term due to high working capital requirement.

Rating sensitivities

- Substantial improvement in scale of operation
- Improvement in Liquidity profile.

Material covenant

None

Outlook: Stable

Acuite believes that SIPL will maintain a 'Stable' outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company achieves significantly higher than expected revenues and improvement in its liquidity profile. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in liquidity profile or in case of delays in execution of EPC business.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	16.76	22.91
PAT	Rs. Cr.	0.68	1.53
PAT Margin	(%)	19.70	16.16
Total Debt/Tangible Net Worth	Times	0.45	0.32
PBDIT/Interest	Times	4.22	2.58

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

None

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22- March - 2019	Dropline Overdraft	Long Term	7.50	ACUITE BB/Stable (Assigned)
	Cash Credit	Long Term	3.50	ACUITE BB/Stable (Assigned)
	Proposed	Long Term	4.00	ACUITE BB/Stable (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
Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	-	Withdrawn (Repaid in Full)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB/Stable (Reaffirmed)
Proposed bank facilities	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE BB/Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-4292-4011 rating.desk@acuite.in
Tony Banerjee Analyst - Rating Operations Tel: 033-6620-1206 Tony.banerjee@acuite.in	

About Acuité Ratings & Research:

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