

Press Release

Shrishri Infrastructure Private Limited

August 24, 2021

Rating Downgraded



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE B+/Stable (Downgraded from Acuite BB/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) on the Rs. 15.00 crore bank facilities of Shrishri Infrastructure Private Limited (SIPL). The outlook is '**Stable**'.

The rating downgrade reflects deterioration in liquidity profile with full utilization of the fund based limits during the last 6 months ended July 2021. In addition, the scale of operation also witnessed a decline in FY21 because of slow execution of orders due to pandemic outbreak. Acuité believes liquidity profile is expected to remain weak in medium term because of high working capital requirement.

SIPL, incorporated in 2011 was promoted by Mr. Shrikant Khatod and his brother, Mr. Shriram Khatod. The company is engaged in development of 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

SIPL was promoted by Mr. Shrikant Khatod and Mr. Shriram Khatod. The company is engaged in construction and real estate business. 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 is likely to 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 212 crores as on July 2021 which provides comfortable medium-term revenue visibility.

Weaknesses

Working capital intensive operations

The company has high working capital intensity as evident from its high gross current asset (GCA) days of 1344 days in FY'21 as against 787 days in the previous year. The high GCA days are due to high inventory days of around 960 days in FY21 as against 310 days in FY20. Reason for high inventory level is large amount of Work in Progress (unsold flats). The debtor days stood at 116 days in FY21 as against 111 days in FY20. Acuité believes that the operations of the company will continue to be working capital intensive because of stretched receivables.

Decline in scale of operation

The company has registered a revenue of Rs 12.22 crores in FY21 (Provisional) as against Rs 22.80 crores in previous year because of slow execution of order in H1FY21. Acuite believes that the scale of operations of the company would improve over the medium term backed by its healthy order book.

Modest financial profile

The financial risk profile of the company is marked by modest net worth, comfortable gearing and weak coverage indicator. Net worth of the company stood at around Rs. 30.91 crore as on 31st March'21 (Prov) as against Rs 29.86 crore in the previous year. The gearing of the company stood at 0.71 times as on 31st March 2021 (Provisional) as against 0.55 times as on 31st March, 2020 due to debt funded capex plan. Debt protection metrics stood at modest level as indicated from interest coverage of 1.86 times in FY21 (Provisional) as compared to 1.77 times in previous year. NCA/TD stood at 0.09 in FY21 (Prov). 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.

Rating Sensitivity

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

Material Covenant

None

Liquidity Position: Poor

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 July 2021. Moreover, company has a high GCA days of 1344 days in FY21 (Provisional) due to high debtor and inventory days. Company has a low cash & bank balance of Rs 0.08 crores in FY21 (Provisional). Acuite believes liquidity profile will continue to remain poor in medium term due to high working capital requirement.

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.

About the Rated Entity -

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	12.22	22.80
PAT	Rs. Cr.	0.74	0.65
PAT Margin	(%)	6.03	2.84
Total Debt/Tangible Net Worth	Times	0.71	0.55
PBDIT/Interest	Times	1.86	1.77

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

NA

Any other information

None

Applicable Criteria

Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
28 May 2020	Dropline Overdraft	Long Term	7.50	ACUITE BB (Withdrawn)
	Cash Credit	Long Term	3.50	ACUITE BB/Stable (Reaffirmed)
	Proposed	Long Term	11.50	ACUITE BB/Stable (Reaffirmed)
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**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Khamgaon Urban Coop	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE B+/Stable (Downgraded)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE B+/Stable (Downgraded)

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About Acuité Ratings & Research:

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