

Press Release

Shree Riddhi Siddhi Buildwell Limited

December 13, 2021



Rating Reaffirmed

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.00	13.00		ACUITE A3 Reaffirmed
Bank Loan Ratings	22.00	22.00	ACUITE BBB- Stable Reaffirmed	
Total	-	35.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.35.00 Cr. bank facilities of Shree Riddhi Siddhi Buildwell Limited (SRSB). The outlook is '**Stable**'.

Rationale for reaffirmation of ratings

The rating continues to derive comfort from the extensive experience of the promoters in the real estate industry, further supported by improving business risk profile and moderate financial risk profile on the back of diversification to the infrastructure construction segment and comfortable order book ensuring revenue visibility in the near to medium term. Nonetheless, the rating remains constrained on account of intensive working capital requirements; albeit improving on a Y-O-Y basis, the intense competition witnessed by SRSB, and modest experience in this segment being a recent entrant into the infrastructure construction industry.

About the Company

Agra-based, SRSB was incorporated in 2010 by Dr. Pramod Kumar Jain, Mr. Ankur Jain and Mr. Anuj Jain as a private limited company. SRSB originally engaged in the real estate development business has also expanded into the field of civil construction and infrastructure development from FY2017. The company currently has unexecuted orders worth ~Rs.177.00 crore for infrastructure development, which is to be executed in the near to medium term. Further, SRSB has successfully completed multiple real estate projects under the 'Padam' brand.

Analytical Approach

Acuité has considered the standalone view of the business and financial risk profile of SRSB to arrive at the rating.

Key Rating Drivers

Strengths

Experienced proprietor and diversification of business risk profile

The promoters, Dr. Pramod Kumar Jain has significant experience of over four decades and Mr. Ankur Jain and Mr. Anuj Jain have experience of almost two decades in the real estate industry through group companies. The promoters have established a track record of successful project execution in the real estate segment through various entities.

SRSB is now transitioning from a real estate developer to an EPC contractor in the near term focusing on infrastructure construction projects. This is visible in the revenue mix, which stood at ~70 percent from the infrastructure segment and the remaining 30 percent from the real estate segment in FY2021. SRSB undertakes sub-contract orders from reputed infrastructure players such as GMR Infra Limited, Ashoka Buildcon, Alstom Systems India Private Limited, and TRG Industries. It also executes projects as a primary contractor for multiple projects. Further, The entity has registered Rs.98.77 crore in FY2021 as against Rs.70.79 crore in FY2020. The growth was purely driven by infrastructure orders. The company currently has unexecuted orders worth ~Rs.177.00 crore for infrastructure development, which is to be executed in the near to medium term.

Acuité believes that the promoter's vintage along with financial backing from promoters and venturing into the infrastructure sector will continue to support its business risk profile over the near to medium term.

Moderate Financial risk profile

SRSB has a moderate financial risk profile marked by its moderate net worth, gearing, and debt protection metrics. The tangible net worth stood at Rs.29.63 crore as on March 31, 2021, as against Rs.25.02 crore as on March 31, 2020. SRSB has followed a moderately aggressive financial policy as reflected through its Gearing (Debt to Equity) of 2.78 times as on March 31, 2021, as against 2.94 times as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 3.26 times as on March 31, 2021, as against 4.29 times as on March 31, 2020. The Debt profile consists of equipment finance loans and mobilization loans from banks and NBFC's, and interest-bearing unsecured loans from promoters. Albeit maintaining fund and non-fund-based working capital limits with multiple banks.

The debt protection indicators remain range-bound with Interest Coverage Ratio (ICR) at 3.38 times in FY2021 as against 3.60 times in FY2020 while the Debt Service Coverage Ratio (DSCR) stood at 0.93 times for FY2021 as against 0.48 times for FY2020. The Net Cash Accruals/Total Debt (NCA/TD) stood at stagnant and paltry at 0.05 times as on March 31, 2021, and as on March 31, 2020.

Weaknesses

Intensive working capital requirements

SRSB has an intensive working capital requirement; albeit improving on a Y-O-Y basis, marked by its Gross Current Assets (GCA) of 341 days in FY2021 as against 585 days in FY2020. This is majorly due to the reduction in its inventory-holding period and debtors' collection period to 147 days and 38 days for FY2021 as against 392 days and 167 days for FY2020 respectively. The inventory as of now is majorly in the form of unsold real estate units.

Further, the creditors' payment period has also been reduced to 48 days in FY2021 as against 413 days in FY2020 while having average utilization of working capital limits at ~95% for the 7-month period through November 2021.

Intense competition, High execution risk over susceptibility to real estate cyclicity, and regulatory risks

SRSB has recently entered into the business of infrastructure construction. This particular sector is marked by the presence of several mid to big-size players. SRSB would face intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts. Further, SRSB is exposed to the risk of volatile prices on account of frequent demand-supply mismatches in the industry. The Real Estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developer's ability to reduce prices. Further, the industry is exposed to regulatory risk, which is likely to impact players such as SRSB thereby impacting its operating capabilities.

Liquidity Position: Adequate

SRSB's liquidity is supported by adequate cash inflows reflected from healthy bookings of

completed real estate projects along with the execution of infrastructure order book of Rs.177.00 Cr. The Net Cash Accruals stood at Rs.4.10 Cr. vis-à-vis at maturing debt obligations of Rs.12.35 Cr. in FY2021. SRSB's debt profile consists of equipment finance loans and mobilization loans from banks and NBFC's, and interest-bearing unsecured loans from promoters. Albeit maintaining fund and non-fund-based working capital limits with multiple

banks. A significant part of maturing debt obligations consists of mobilization loans availed whose repayment is linked to the project completion. Further, the cash flows from the realization of debtors and sales of existing inventory are also expected to support liquidity. The cash and bank balance stood at Rs.0.58 Cr. as on March 31, 2021, while the current ratio stood at 2.93 times as on March 31, 2021. While the average utilization of working capital limits at ~95% for the 7-month period through November 2021.

Acuité believes that the liquidity of the entity is likely to remain adequate over the near to medium term on the back of accruals from unsold real-estate inventory and unexecuted infrastructure orders.

Rating Sensitivities

- Significant improvement in scale of operations, while maintaining its profitability margins.
- Deterioration in the working capital cycle leading to stress on the debt protection metrics or the liquidity position of the entity.
- Timely project execution as per schedule.

Material covenants

- Minimum current ratio of 1.33 times.
- Maximum Gearing (Debt to Equity) of 3.50 times.

Outlook: Stable

Acuité believes that SRSB will maintain a 'Stable' outlook in the near to medium term on account of the experienced promoter in the industry and diversified business risk profile. The outlook may be revised to 'Positive' if the entity achieves project and expected order book execution as per schedule along with significantly higher than expected customer advances. Conversely, the outlook may be revised to 'Negative' in case of slower than expected customer advances, unsold inventory, or in case of delay in project execution.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	98.77	70.79
PAT	Rs. Cr.	1.05	1.19
PAT Margin	(%)	1.06	1.68
Total Debt/Tangible Net Worth	Times	2.78	2.94
PBDIT/Interest	Times	3.38	3.60

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

CRISIL vide its press release dated March 30, 2021, has classified the rating of Shree Riddhi Siddhi Buildwell Limited to 'CRISIL B+; 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>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Sep 2020	Proposed Bank Facility	Long Term	22.65	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	4.50	ACUITE BBB- (Withdrawn)
	Bank Guarantee	Short Term	2.25	ACUITE A3 (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE BBB- (Withdrawn)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	0.10	ACUITE BBB- Stable (Reaffirmed)
20 Jun 2019	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	4.50	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	0.50	ACUITE A3 (Assigned)
	Term Loan	Long Term	20.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Reaffirmed)
10 Jun 2019	Term Loan	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	4.50	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	13.00	13.00	ACUITE A3 Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	7.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	15.00	15.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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