

Press Release

Shree Riddhi Siddhi Buildwell Limited

February 28, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.50	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	31.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	49.50	-	ACUITE A3 Assigned
Bank Loan Ratings	34.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	125.00	-	-

Rating Rationale

Acuite 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. 65.00 crore bank facilities of Shri Riddhi Siddhi Buildwell Limited (SRSBL).

Further Acuite has assigned 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. 60.00 crore bank facilities of SRSBL.
The outlook is '**Stable**'.

Rationale for the rating

The rating action considers the operations and profitability for FY2022, Moderate financial risk profile, adequate liquidity position, extensive experience of promoters. Also the rating factors in comfort derived by healthy order book position. The rating is constrained by intensive working capital, tender based business, burgeoning unbilled revenue and competitive industry.

About the Company

Agra-based, SRSBL was incorporated in 2010 by Dr. Pramod Kumar Jain, Mr. Ankur Jain, and Mr. Anuj Jain as a private limited company. SRSBL 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.541.00 crore for infrastructure development, which is to be executed in the near to medium term. Further, SRSBL has successfully completed multiple real estate projects under the 'Padam' brand.

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of SRSBL to

arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

The promoters, Mr. Ankur Jain and Mr. Anuj Jain have experience of almost two decades in the real estate industry. The promoters have established a track record of successful project execution in the real estate segment through various entities. SRSBL is now transitioning from a real estate developer to an EPC contractor in the near term focusing on infrastructure construction projects. The company currently has unexecuted orders worth ~Rs.541.00 crore for infrastructure development, which is to be executed in the near to medium term. Acuité believes that the company will be benefitted over the medium term on the back of experience of management and healthy order book.

Financial risk profile-Moderate

SRSBL's financial risk profile is moderate marked by moderate net worth of Rs.50.27 crore as on 31 March 2022 as against Rs.29.63 crore as on 31 March, 2021. The improvement is majorly on account of accretion of profits and treatment of loans from director/ promoters to the extent of Rs 20 crores as quasi equity. Company has conservative leverage policy. The gearing (debt-equity) improved and stood below unity at 0.90 times as on 31 March, 2022 as against 2.53 times as on 31 March, 2021.

The interest coverage ratio stood comfortable at 4.29 times for FY2022 as against 3.38 times for FY2021. The DSCR stood at 1.01 times for FY2022 as compared to 0.93 times for FY2021.

The Net Cash Accruals to Total debt stood at 0.11 times as on FY2022 and 0.05 times for FY2021. The Total outside liabilities to Tangible net worth (TOL/TNW) stood at 1.34 times in FY2022 as against 3.26 times for FY2021. Going forward the financial risk profile is expected to improve because of its improving operating performance and reduction in debt liability of the company.

Weaknesses

Business risk profile -Volatile

SRSBL's operations remains volatile as reflected by movement in revenue from operations which stood at Rs 81.06 crore in FY2022, Rs.98.77 crore and Rs 70.79 crore for FY2021 and FY2020 respectively. Revenue in FY 21 was higher on account of higher revenue from real estate business. Earlier company was engaged in real estate business and now entire focus of company is into government contracts of Infrastructure industry. Operations of company are within domestic boundaries. The operating profit margin of the company improved by 336 bps and stood at 10.16% in FY2022 as against 6.79% in FY2021. Furthermore, the net profit margin of the company declined by 27 bps and stood at 0.79 percent in FY2022 as against 1.06 percent in FY2021.

Company has booked revenue of Rs 40 crores till Dec 22 from infra projects. Currently, the company has orders in hand of ~Rs 541 crore. ROCE of the company increase by only 85 bps from FY 20 to FY 22 in FY2022 (3.08% to 3.93%). Company is targeting revenue of Rs 105 Crores for FY 23 (approx. Rs 80 crores from Infra Projects)

Working capital management- Intensive

Working capital operations of the company are intensive in nature as reflected by its gross current asset (GCA) days of around 419 days as on March 31, 2022 as against 341 days as on March 31, 2021 which is on the account of higher inventory days and high level of Works contracts executed recognised and not billed (Unbilled revenue) in current assets. Inventory days improved and stood at 128 days as on March 31 FY2022 as against 147 days as on March 31 FY2021 while debtor days moderated to 58 days as on March 31 FY2022 as against 38 days as on March 21 FY2021. The creditor days stood improved at 83 days as on March 31,

FY2022 as against 48 days as on March 31, 2022. Company has availed the banking facilities of fund-based and non-fund based which includes cash credit and bank guarantee facilities. Utilization of fund based working capital limits remains high at ~88% in last one year ended December 2022. NFB Facilities o/s as on date Rs. 35.26 crores against the sanctioned limit of Rs 85.50 crores (~41% of sanctioned limits)

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.

Company's ability to realize unbilled revenue in timely manner

Material covenants

None

Liquidity Position

Adequate

Liquidity profile of the company remained adequate marked by adequate net cash accruals against its maturing debt obligations. Company generated cash accruals of Rs.5.08 Cr in FY2022 as against its maturing debt obligation of 5.02 Cr in the same period.

Utilization of fund based working capital limits remains high at ~88% in last one year ended December 2022. NFB Facilities o/s as on date Rs. 35.26 crores against the sanctioned limit of Rs 85.50 crores (~41% of sanctioned limits). Company has unencumbered cash and bank balances of Rs. 0.22 crore as on March 31, 2022. The current ratio of the company stood at 2.57 times as on March 31, 2022.

Outlook: Stable

Acuité believes that SRSBL 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 realisation of unbilled revenue, slower sale of inventory, or in case of delay in project execution.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	81.06	98.77
PAT	Rs. Cr.	0.64	1.05
PAT Margin	(%)	0.79	1.06
Total Debt/Tangible Net Worth	Times	0.90	2.53
PBDIT/Interest	Times	4.29	3.38

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Dec 2021	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	6.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	11.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	13.00	ACUITE A3 (Reaffirmed)
	Secured Overdraft	Long Term	1.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A3 (Assigned)
13 Dec 2021	Proposed Bank Facility	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	13.00	ACUITE A3 (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	16.00	ACUITE A3 Assigned
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3 Assigned
Kotak Mahindra Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE A3 Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE A3 Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	28.50	ACUITE A3 Assigned
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE BBB- Stable Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB- Stable Assigned
Axis Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	21.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB- Stable Assigned
Kotak Mahindra Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB- Stable Assigned
Kotak Mahindra Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB- Stable Reaffirmed
HDFC	Not	Secured	Not	Not	Not	Simple	1.00	ACUITE BBB-

Bank Ltd	Applicable	Overdraft	Applicable	Applicable	Applicable			Stable Reaffirmed
Kotak Mahindra Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.00	ACUITE BBB- Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Himanshu . Senior Analyst-Rating Operations Tel: 022-49294065 himanshu.mehta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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