

Press Release
Sewasingh Oberoi And Company
 July 29, 2021
Rating Assigned



Total Bank Facilities Rated*	Rs. 23.00 Cr.
Long Term Rating	ACUITÉ BBB/Stable (Assigned)
Short Term Rating	ACUITÉ A3+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB**' (**read as ACUITE Triple B**) and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs 23.00 crore bank facilities of SewaSingh Oberoi and Company (Sewa). The outlook is '**Stable**'.

The ratings reflect firm's long operational track record along with healthy order book size. The current order book provides strong revenue visibility over the medium term. The ratings also factor in firm's comfortable financial risk profile marked by its moderate networth and a conservative capital structure. These rating strengths are partially offset by the firm's working capital intensive nature of operations and geographical concentration.

Sewasingh Oberoi and company was established in 1997 as a partnership firm. The firm is managed by its partners, Mr Kanwaljit Singh Oberoi and Mr Sewasingh Oberoi. The firm is engaged in civil construction activities for roads and other structures. The firm executes projects primarily in the state of Chhattisgarh.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of Sewa to arrive at the rating.

Key Rating Drivers

Strengths

Long operational record and healthy order book

The firm was established by Mr. Sewasingh Oberoi who possesses almost 2 decades of experience in construction business. The firm executes projects issued by different state government agencies such as Public work Department (PWD), Chhattisgarh State Industrial Development Corporation Limited (CSIDCL). Firm has an outstanding order book of Rs. 240.52 crores as on June 2021 which imparts strong revenue visibility over the medium term. The present order book comprise of around 98 percent of orders are issued by PWD and 2 percent of orders are issued by CSIDCL. Firm's scale of operation had witnessed an improvement as reflected from revenue of Rs 83.55 Cr in FY21 (Provisional) as against Rs 75.78 Cr in FY20. Acuité believes the scale of operation will continue to improve in medium term backed by its healthy order book size.

Comfortable financial risk profile

The comfortable financial risk profile of the Sewa is marked by its moderate net worth, low gearing ratio and strong debt protection metrics. The net worth stood at Rs. 61.46 crore as on 31st March'2021 (Provisional) as compared to Rs 51.87 crore in the previous year. The gearing of the firm stood comfortable at 0.25 times as on 31st March 2021 (Provisional) as against 0.28 times as on 31st March, 2020. The total debt of Rs. 15.16 crore in FY2021 consists of long-term debt of Rs 7.77 crore, short term borrowing of Rs 4.90 crore and unsecured loan of Rs 2.49 crore. TOL/TWN stood at 0.56 times in FY21 (Provisional) as against 0.81 times in FY20. Firm's interest coverage ratio stood strong at 7.59 times as on 31st March, 2021 (Provisional) as against 4.16 times as on 31st March, 2020. The improvement is on account of rise in profit margin. The Net Cash accruals to Total Debt (NCA/TD) stood at 0.78 times in FY2021 (Provisional) as compared to 0.45 times in the previous year. Acuité

believes the financial risk profile to remain comfortable over the medium term backed by steady accruals and absence of any large debt funded capex plan.

Healthy profitability margins

The firm has healthy profitability margins both at the operating and net level. The operating margin of the firm stood at 16.08 percent in FY21 (Provisional) as compared to 8.98 percent in FY20. Reason for improvement is driven by the firm's selection of projects being bid for and receipt of early completion bonus. Moreover, the profit after tax (PAT) margins of the firm stood at 11.47 percent in FY21 (Provisional) as against 5.26 percent in the preceding year. Acuité believes that the firm will maintain healthy profit margins over the medium term.

Weaknesses

Working capital intensive

The firm has high working capital intensity as evident from its high gross current asset (GCA) days of 227 days in FY'21 (Provisional) as 254 days in the previous year. The high GCA days are due to high other current Assets of Rs. 38.92 crores as on March 31, 2021 (Provisional). The other current asset comprises of Rs 35 crores of security deposit and earnest money deposit, Rs 3.5 crores of retention money, among others. Debtor and Inventory days stood at 10 days and 26 days respectively in FY21. Acuité believes that the operations of the firm will continue to be working capital intensive over the medium term.

High segmental and geographical concentration

The firm since inception has worked on projects in Chhattisgarh and their order book is also entirely from projects in Chhattisgarh thus reflecting on high geographical concentration. Also, the firm has executed mainly road projects which comprise of their current order book thus implying high segmental concentration. Hence firm is likely to witness fluctuation in order flow over the medium term.

Rating Sensitivity

- Sustenance in turnover growth and profit margins
- Continuous order flow

Material Covenant

None

Liquidity Profile: Adequate

The firm has adequate liquidity profile as the firm's net cash accrual stood at Rs 11.81 crores in FY21 (Provisional) as against current maturity of Rs 1.65 crores. Current ratio stood at 3.19 times in FY21 (Provisional) as against 2.50 times in FY20. The company has high-unencumbered cash & bank of Rs 5.75 crores as on March 31, 2021 (Provisional). In addition, the working capital utilization during 12 months ended May 2021 stood at around 83 percent. Acuité believes liquidity profile will remain adequate in medium term backed by absence of large debt led capex plan and healthy net cash accrual.

Outlook: Stable

Acuité believes the outlook on Sewa will remain 'Stable' over the medium term backed by its long track record of operations. The outlook may be revised to 'Positive' if the firm is able to scale up its operations along with sustenance in the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in profitability margin or liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	83.55	75.78
PAT	Rs. Cr.	9.58	3.99
PAT Margin	(%)	11.47	5.26
Total Debt/Tangible Net Worth	Times	0.25	0.28
PBDIT/Interest	Times	7.59	4.16

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

SEWA is listed under the 'Non Co-operation by the issuer' category by CARE Ratings due to inadequate information provided by the firm.

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/view-rating-criteria-55.htm>

Rating History (Upto last three years)

NA

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE A3+ (Assigned)

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About Acuité Ratings & Research:

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