



**Press Release**  
**Sewasingh Oberoi And Company**  
**October 20, 2023**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE BBB-   Stable   Downgraded   Negative to Stable	-
Bank Loan Ratings	21.00	-	ACUITE A3   Downgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	23.00	-	-

**Rating Rationale**

Acuite has downgraded the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.23.00 Cr bank facilities of Sewasingh Oberoi and Co (SOC). The outlook is revised from '**Negative**' to '**Stable**'.

**Rationale for rating downgrade**

The rating downgrade is primarily driven by significantly lower than expected revenues in FY2023 and marginal dip in operating profitability. The lower than expected performance is primarily on account of delays in the execution of work orders and pending work certification leading to lower billings towards year end. The rating is further constrained by the fluctuations in the revenue levels and the elongated working capital cycle.

However, the rating draws comfort from the above average financial risk profile of the firm backed by the comfortable capital structure and debt protection metrics.

**About the Firm**

Sewasingh Oberoi and Co (SOC) was established in 1997 and is managed by Mr. Sewa Singh Oberoi and Mr. Kanwaljit Singh Oberoi. The firm is based in Chhattisgarh and is engaged in the construction works of roads and bridges. SOC is a registered as a class A contractor with PWD, Chhattisgarh.

**Standalone (Unsupported) Rating**

None

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of SOC to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Long track record of operations supported by experienced management**

The firm has established a long standing presence in the construction industry with operations starting in 1997. SOC is managed by the experienced partners, Mr. Sewa Singh Oberoi and Mr.

Kanwaljit Singh Oberoi. The firm has successfully developed a strong customer base comprising of Public Works Department (PWD) and Chhattisgarh Rural Roads Development

Agency (CGRDA). The strong customer base aids in maintaining the regular order flow. Acuité believes that the extensively experienced management and the long operational track record of SOC will continue to benefit the firm going forward.

### **Above average financial risk profile**

The above average financial risk profile of the firm is marked by improving net worth, low gearing and comfortable debt protection measures. The tangible net worth of the firm increased to Rs.57.19 Cr as on March 31, 2023 as compared to Rs. 53.89 Cr as on March 31, 2022 due to accretion of profits. Gearing of the firm stood below unity at 0.22 times as on March 31, 2023 similar to that in March 31, 2022, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 0.53 times as on March 31, 2023 as against 0.67 times as on March 31, 2022. Moreover, the comfortable debt protection metrics is marked by Interest Coverage Ratio (ICR) at 2.58 times as on March 31, 2023, however, the Debt Service Coverage Ratio stood moderate at 1.43 times as on March 31, 2023 (Provisional). The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.40 times as on March 31, 2023.

Acuité believes that the financial risk profile of firm will remain above average over the medium term, in absence of any major debt funded capex plans.

### **Healthy profitability margins albeit slight dip from previous year**

The profitability margins of the firm dipped slightly but remained at healthy levels with operating margin at 10.11 per cent in FY2023 as compared to 11.16 per cent in FY2022 and 10.25 per cent in FY2021. The dip in margin was due to delays in work orders leading to higher than expected costs incurred for a few work orders. The PAT margin stood at 5.49 per cent in FY2023 from 4.34 per cent in FY2022 and 4.71 per cent in FY2021. The RoCE level stood at 9.94 times in FY2023 as against 8.10 per cent in FY2022 and 11.91 per cent in FY2021. Acuité believes that improvement in the profitability margins will remain key monitorable.

### **Weaknesses**

#### **Fluctuations in the revenue levels**

The scale of operations of SOC witnessed fluctuations over the past three financial years. The revenues stood at Rs. 64.11 Cr in FY2023 as compared to Rs.45.91 Cr in FY2022 and Rs.69.51 Cr in FY2021. In FY2022, the decline in revenues was due to delays in billing towards year end, owing to pending work certifications. It was further impacted by the covid induced lockdown in the first quarter of FY2022 followed by rising labour issues faced by the firm. Although the revenue increased in FY2023 but were not as per earlier expectations and remained below the level of FY2021.

Going forward, the firm has an unexecuted orderbook to the tune of Rs.259.42 Cr as on September, 2023 which is expected to be completed in the next 12 to 24 months.

Acuité believes that, going forward, improvement in the scale of operations coupled by timely execution of the orders will remain a key sensitivity factor.

### **Working Capital Cycle**

The working capital intensive nature of operations of the firm is marked by although improving but high Gross Current Asset (GCA) days of 354 days as on March 31, 2023 as against 500 days as on March 31, 2022. The high GCA days are on account of significant advances and security deposits. The security deposits stood at Rs.43.51 Cr as on March 31, 2023. The inventory period improved to 94 days March 31, 2023 as against 128 days as on March 31, 2022. The inventory days were high in FY2022 due to significant unbilled revenues. The firm is able to stretch its creditors for raw materials as evident from its creditors days of 86 days as on March 31, 2023.

Acuité believes that the working capital operations of the firm will remain around similar levels as evident from the high level of other current assets and moderately high inventory cycle over the medium term.

### **Rating Sensitivities**

- Increase in revenues while improving margin
- Further delays in executing order book
- Elongation in the working capital cycle

## **All Covenants**

None

## **Liquidity Position**

### **Adequate**

The liquidity position of the firm is adequate marked by steady net cash accruals of Rs. 5.41 Cr in FY2023 against long term debt repayment of Rs. 2.61 Cr over the same period. The current ratio stood comfortable at 3.25 times as on March 31, 2023 as compared to 2.48 times in FY2022. The fund based bank limit utilization stood at a moderate level of 82 per cent for the six months ended August, 2023. The unencumbered cash and bank balance stood at Rs. 0.09 Cr as on March 31, 2023. Also, the working capital management of the firm is intensive in nature marked by high Gross Current Asset (GCA) days of 354 days as on March 31, 2023 as against 500 days as on March 31, 2022 due to significant security deposits maintained.

Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of steady cash accruals and absence of any debt funded capex plans.

### **Outlook: Stable**

Acuité believes that the outlook of the firm will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile or delay in completion of its projects or further elongation in its working capital cycle.

## **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	64.11	45.91
PAT	Rs. Cr.	3.52	1.99
PAT Margin	(%)	5.49	4.34
Total Debt/Tangible Net Worth	Times	0.22	0.23
PBDIT/Interest	Times	2.58	2.19

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

CARE, vide its press release dated August 23, 2023 had denoted the rating of Sewasingh Oberoi and Co as 'CARE BB-/Stable/A4; ISSUER NOT COOPERATING'.

INFOMERICS, vide its press release dated August 29, 2023 had denoted the rating of Sewasingh Oberoi and Co as 'IVR BB-/Stable/A4; ISSUER NOT COOPERATING'.

### 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>

### 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Oct 2022	Cash Credit	Long Term	2.00	ACUITE BBB   Negative (Reaffirmed)
	Bank Guarantee	Short Term	21.00	ACUITE A3+ (Reaffirmed)
29 Jul 2021	Bank Guarantee	Short Term	21.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB   Stable (Assigned)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Complexity Level</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	21.00	ACUITE A3   Downgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB-   Stable   Downgraded   Negative to Stable

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### 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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