

## Press Release

Shree Balaji Engicons Limited

January 16, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	60.36	ACUITE A   Stable   Assigned	-
Bank Loan Ratings	113.00	ACUITE A   Stable   Reaffirmed	-
Bank Loan Ratings	155.00	-	ACUITE A1   Assigned
Bank Loan Ratings	223.00	-	ACUITE A1   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	551.36	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

### Rating Rationale

Acuite has reaffirmed and assigned the long term rating of '**ACUITE A**' (read as **ACUITE A**) and reaffirmed and assigned the short term rating of '**ACUITE A1**' (read as ACUITE A one)' to the Rs.551.36 Cr bank facilities of Shree Balaji Engicons Limited. (SBEL)The outlook is '**Stable**'.

#### Rationale for the rating

The rating continues to reflect the extensive experience of the management and established track record of operation in the construction business. The rating also takes into account the improving scale of operation and healthy profitability margin of the company. However, these strengths are partially offset by the working capital intensive nature of operation and moderate geographical concentration in its clientele.

#### About the Company

Incorporated in 1998, Shree Balaji Engicons Limited (SBEL) is an Odisha based company engaged in civil construction work for roads, highways, bridges, building and railway infrastructure projects for government entities in Odisha, Jharkhand and Chhattisgarh. The company is a Class I civil contractor with Public Works Department (PWD), Odisha. The company also operates a petrol pump in Odisha. Currently the company is promoted by Mr. Anil Kumar Agrawal and Mr. Pradip Kumar Agrawal.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profile of SBEL while arriving at the rating.

#### Key Rating Drivers

Acuite Ratings & Research Limited

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

## Strengths

### Experienced management and healthy order book

The promoters of the company, Mr. Anil Kumar Agrawal, Mr. Pradip Kumar Agrawal and Mr. Sushil Kumar Agrawal have been in the civil construction industry for over three decades. The long standing experience of the promoters has been through their erstwhile proprietorship firm established in 1985. Presently, the second generation, Mr. Vinay Agrawal (BE Civil), Mr. Ankit Agrawal and Mr. Rishab Agarwal have also entered the business and are actively involved in the day to day operations of the company.

### Healthy scale of operation coupled with steady profitability margin

The revenue of the company stood healthy at Rs.637.44 crore in FY2022 as compared to Rs.447.10 crore in the previous year driven by pick-up in execution. In FY22, all orders were completed by the company within the predetermined time frames; in certain cases, order were even executed earlier than anticipated. The current order book provides revenue visibility over the next few years. Acuite believes the ability of the company to scale up the operations will remain a key monitorable.

The operating profitability margin of the company moderated to 8.84 per cent in FY2022 as compared to 11.53 per cent in the previous year due to change in project mix and increase in input prices such as diesel, steel, and cement. The company has a price escalation clause, but it generally follows with a lag. Going forward, the company will focus on margin accretive projects, which will improve its margin. The PAT margins stood at 3.08 per cent in FY2022 as against 4.13 per cent as on FY2022. The RoCE levels stood at a comfortable level of about 14.46 per cent in FY2022 as against 13.43 per cent in FY2021. Acuite believes the profitability margin of the company will be sustained at healthy levels over the medium term backed by their focus on healthy margins and bid in projects accordingly.

### Comfortable financial profile

The financial risk profile of the company is marked by high net worth, low gearing and healthy debt protection metrics. The net worth of the company stood at Rs.205.78 crore in FY 2022 as compared to Rs 186.11 crore in FY2021. The gearing of the company has stood comfortable at 0.47 times in FY 2022 when compared to 0.61 times in FY 2021. Interest coverage ratio (ICR) is healthy and stood at 3.57 times in FY2022 as against 3.73 times in FY 2021. The debt service coverage ratio (DSCR) of the company stood at 1.73 times in FY2022 as compared to 1.96 times in the previous year. The net cash accruals to total debt (NCA/TD) stood steady at 0.37 times in FY2022 as compared to 0.32 times in the previous year. Going forward, Acuite believes the financial risk profile of the company will remain healthy on account of steady net cash accruals and no major debt funded capex plan over the near term.

## Weaknesses

### Working capital intensive nature of operation

The working capital requirement is inherently high in the construction industry, given the dependence on the state and central government authorities for timely receipt of payments. The operation of the company is working capital intensive marked by high gross current asset days of 183 days in FY2022 as compared to 230 days in the previous year. Moreover, the inventory days of the company has decreased to 90 days in FY2022 as compared to 138 days in the previous year. The debtor days of the company stood moderate at 70 days in FY2022 as compared to 77 days in the previous year. Going forward, Acuite believes that the sustenance of working capital cycle will remain a key rating sensitivity factor.

### Moderate geographic concentration

The current order book shows moderate geographical diversification as orders were received by SBEL from different geographies, with Odisha having a 44% exposure and Chhattisgarh and Jharkhand contributing 15% and 22% of the total order, respectively. Going forward, the ability of the company to diversify its revenue streams further from various geographies over the long term would remain a key sensitivity.

## Rating Sensitivities

- Scaling up of operations while maintaining their profitability margin

- Timely execution of orders
- Sustenance of existing financial risk profile with healthy capital structure

### Material covenants

None

### Liquidity Position

#### Adequate

The company has adequate liquidity marked by comfortable net cash accruals of Rs.35.84 crore as against Rs.13.73 crore long term debt obligations in FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 49.73 crore to Rs. 55.46 crore during 2023-24 as against Rs. 14.47 crore of long term debt obligations FY2023 and Rs. 10.47 crore in FY2024 respectively. The bank limit of the company has been ~75 percent utilized during the last seven months ended in October 2022. In addition, the company had witnessed an improvement in GCA days as it stood at 183 days in FY2022 as against 230 days in FY2021. The current ratio of the company stood at 1.91 times in FY2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term

#### Outlook: Stable

Acuité believes the company's outlook will remain 'stable' over the medium term on account of vast experience of the promoters, long execution track record, healthy order book position and healthy financial risk profile. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues 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 company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or delay in completion of its projects or further deterioration in its working capital cycle

#### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	637.44	447.10
PAT	Rs. Cr.	19.64	18.45
PAT Margin	(%)	3.08	4.13
Total Debt/Tangible Net Worth	Times	0.47	0.61
PBDIT/Interest	Times	3.57	3.73

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

None

#### Any other information

None

#### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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, Acuité 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. -or 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
24 Nov 2022	Cash Credit	Long Term	5.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE A   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	0.79	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	6.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A   Stable (Reaffirmed)
	Bank Guarantee	Short Term	31.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	32.75	ACUITE A   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	8.07	ACUITE A   Stable (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	12.00	ACUITE A1 (Reaffirmed)
	Working Capital Term Loan	Long Term	6.50	ACUITE A   Stable (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	110.00	ACUITE A1 (Reaffirmed)
	Proposed Term Loan	Long Term	9.64	ACUITE A   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.25	ACUITE A   Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A1 (Reaffirmed)
Bank Guarantee	Short Term	12.00	ACUITE A1 (Reaffirmed)	
Bank Guarantee	Short Term	110.00	ACUITE A1 (Reaffirmed)	
Bank Guarantee	Short Term	30.00	ACUITE A1 (Reaffirmed)	
Cash Credit	Long Term	5.00	ACUITE A   Stable (Reaffirmed)	
Cash Credit	Long Term	1.00	ACUITE A   Stable (Reaffirmed)	

27 Sep 2021	Cash Credit	Long Term	20.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE A   Stable (Reaffirmed)
		Long Term		ACUITE A   Stable (Reaffirmed)
	Cash Credit	Term	32.75	(Reaffirmed)
	Proposed Bank Facility	Long Term	35.25	ACUITE A   Stable (Assigned)
	Bank Guarantee	Short Term	25.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	31.00	ACUITE A1 (Reaffirmed)
09 Sep 2021	Bank Guarantee	Short Term	15.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A   Stable (Reaffirmed)
	Bank Guarantee	Short Term	31.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A   Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	9.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	32.00	ACUITE A   Stable (Reaffirmed)
	Bank Guarantee	Short Term	110.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A   Stable (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	12.00	ACUITE A1 (Reaffirmed)
16 Jun 2020	Bank Guarantee	Short Term	192.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	57.00	ACUITE A   Stable (Assigned)
	Proposed Bank Guarantee	Short Term	31.00	ACUITE A1 (Assigned)
	Proposed Cash Credit	Long Term	20.00	ACUITE A   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	110.00	ACUITE A1   Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A1   Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A1   Reaffirmed
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A1   Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A1   Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	31.00	ACUITE A1   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	32.75	ACUITE A   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A   Stable   Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A   Stable   Reaffirmed
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A   Stable   Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A   Stable   Reaffirmed
Union Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A   Stable   Reaffirmed
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	8.07	ACUITE A   Stable   Reaffirmed
Yes Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	0.79	ACUITE A   Stable   Reaffirmed
HDFC Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	4.25	ACUITE A   Stable   Reaffirmed
Axis Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	6.50	ACUITE A   Stable   Reaffirmed



Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	155.00	ACUITE A1   Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A   Stable   Assigned
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	9.64	ACUITE A   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	40.36	ACUITE A   Stable   Assigned

## Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:pooja.ghosh@acuите.in">pooja.ghosh@acuите.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuите.in">rating.desk@acuите.in</a>
Anik Das Manager-Rating Operations Tel: 022-49294065 <a href="mailto:anik.das@acuите.in">anik.das@acuите.in</a>	

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.