



**Press Release**  
**Shree Balaji Engicons Limited**  
**November 16, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	174.36	ACUITE A   Stable   Reaffirmed	-
Bank Loan Ratings	377.00	-	ACUITE A1   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	551.36	-	-

**Rating Rationale**

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

**Rationale for rating reaffirmation**

The rating reaffirmation of SBEL takes into account stable operating performance of the company in FY2023 with its revenue of Rs.675 Cr, healthy & diversified order book position of ~Rs.1992 Cr as of September 30, 2023 and the financial risk profile of the company which continues to remain healthy in FY2023 marked by healthy net-worth of Rs.231 Cr, low gearing of 0.55 times and comfortable debt protection metrics with an interest coverage ratio of 4.33 times and DSCR of 2.00 times. The rating also draws comfort from company's experienced management with an established track record of operations in the civil construction segment. The rating is however constrained by the company's moderately intensive working capital operations and volatility in the profitability margins. Going forward, ability of SBEL to improve its scale of operations while maintaining the profitability margins without any further decline while improving and maintaining an efficient working capital cycle and timely completion of the work orders without any significant delays will remain key rating sensitivity factors.

**About the Company**

SBEL incorporated in 1998, 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 promoted by Mr. Anil Kumar Agrawal and Mr. Pradip Kumar Agrawal, and it is a Class I civil contractor with Public Works Department (PWD), Odisha.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

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

**Key Rating Drivers**

## **Strengths**

Experienced management and established track record of operations

SBEL has an operational track record of nearly three decades. The company is promoted by Mr. Anil Kumar Agrawal, Mr. Pradip Kumar Agrawal and Mr Sushil Kumar Agrawal who possess an extensive experience of over three decades in the civil construction industry. The long-standing experience of the promoters has been through their erstwhile proprietorship firm established in 1985. Presently, the second generation, Mr. Vinay Agrawal, Mr. Ankit Agrawal and Mr. Rishab Agarwal have also entered into the business and are supported by a team of experienced professionals in managing the day-to-day operations of SBEL. The extensive experience of the management has helped SBEL to maintain a healthy and diversified flow of orders from the reputed entities of Central & State Government authorities of Odisha, Jharkhand, Chhattisgarh and different departments of Indian Railways.

Acuité believes that SBEL will continue to benefit from its experienced management and established track record of operations.

### **Healthy financial risk profile**

Financial risk profile of SBEL is healthy marked by healthy net worth, low gearing and comfortable debt protection metrics. The tangible net-worth of the company stood healthy at Rs.231 Cr as on 31 March, 2023 as against Rs.206 Cr as on 31 March, 2022 due to accretion of profits to reserves. The gearing (debt-equity) stood marginally increased at 0.55 times as on 31 March, 2023 as against 0.47 times as on 31 March, 2022 due to an increase in the company's overall debt of Rs.128 Cr in FY2023 as against Rs.96 Cr in FY2022. This is on account of subsequent increase in the company's long term bank borrowings in the form of term loans which are availed for the purpose of purchasing new machineries. The total debt of Rs.128 Cr as on March 31, 2023 comprises of long-term bank borrowings of Rs.73 Cr, unsecured loans from directors of Rs.2 Cr and short-term bank borrowings of Rs.53 Cr. The gearing is however expected to improve and remain low over the medium term in the absence of any significant debt-funded capex plan.

The interest coverage ratio and DSCR stood improved at 4.33 times and 2.00 times for FY2023 as against 3.57 times and 1.73 times for FY2022. The Net Cash Accruals to Total debt stood at 0.35 times for FY2023 as against 0.37 times for FY2022. The Total outside liabilities to Tangible net worth stood at 1.18 times for FY2023 as against 1.17 times for FY2022. The Debt-EBITDA ratio stood increased at 1.87 times for FY2023 as against 1.63 times for FY2022.

Acuité believes that the financial risk profile of SBEL will remain healthy over the medium term due to its low gearing, healthy tangible net worth and comfortable debt protection metrics.

### **Stable operating performance and healthy order book position**

The operating performance of SBEL remained stable with its revenue of Rs.675 Cr for FY2023 as against Rs.637 Cr for FY2022 which is a growth of ~6 percent. Despite of increase in the overall operating costs and depreciation charges during the year, the operating and net profit margin of the company however stood improved at 9.56 percent and 3.72 percent respectively during FY2023 as against 8.84 percent and 3.08 percent respectively during FY2022.

For the current year, as of 6M FY2024, company has achieved revenue of Rs.262 Cr as against Rs.246 Cr as of 6M FY2023. In addition to this, the company also received new orders worth ~Rs.839 Cr during FY2023 and ~Rs.303 Cr during 6M FY2024 which has led to an unexecuted healthy order book position of ~Rs.1992 Cr, and it is expected to be executed over the next two to three years. Hence, it provides adequate revenue visibility over the medium term.

Acuité believes that ability of SBEL to improve its scale of operations while maintaining the profitability margins without any further decline and timely completion of the work orders without any significant delays will remain key rating sensitivity factors.

### **Weaknesses**

#### **Moderately working capital intensive operations**

The working capital operations of SBEL are moderately intensive marked by its Gross Current Assets (GCA) of 184 days for FY2023 as against 183 days for FY2022. The inventory cycle of the

company stood increased at 96 days for FY2023 as against 90 days for FY2022 marked by an overall increase in the work in progress levels at various sites whereas the receivables cycle stood at similar levels of 37 days for FY2023 as against 36 days for FY2022. The creditors cycle of the company stood at 109 days in FY2023 as against 106 days in FY2022. The average bank limit utilization for 6 months' period ended September 2023 stood moderate at ~61 percent.

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. In general, majority of the billing towards the work orders get realised by the company during the third and fourth quarter of the year due to which the company generates higher revenue during this period.

Acuité believes that the ability of SBEL to improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

### **Competitive and fragmented industry**

SBEL provides civil construction services to the Central & State Government authorities of Odisha, Jharkhand, Chhattisgarh and different departments of Indian Railways. The revenue of the company is highly dependent on the number and value of tenders floated by each of these authorities. Also, SBEL faces intense competition from several mid to big size players. Risk is more pronounced as tendering is based on minimum amount of bidding of contracts.

### **Rating Sensitivities**

- Ability to improve scale of operations while maintaining the profitability margins without any further decline
- Timely completion of the work orders without any significant delays
- Ability to improve and maintain an efficient working capital cycle

### **All Covenants**

Not applicable

### **Liquidity Position - Adequate**

SBEL has adequate liquidity position marked by sufficient net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs.36 Cr to Rs.45 Cr during FY2021 to FY2023 against its debt repayment obligation in the range of Rs.14 Cr to Rs.19 Cr during the same period. Going forward, the NCA are expected in the range of Rs.50 Cr to Rs.55 Cr for the period FY2024-FY2025 against its debt repayment obligation in the range of Rs.15 Cr to Rs.17 Cr during the same period. However, the working capital operations of the company are intensive marked by its gross current asset (GCA) days of 184 days for FY2023. The average bank limit utilization for 6 months' period ended September 2023 stood at ~61 percent. Current ratio stands at 1.92 times as on 31 March 2023. The company has maintained cash & bank balance of Rs.0.79 Cr in FY2023.

Acuité believes that the liquidity of SBEL is likely to remain adequate over the medium term on account of sufficient cash accruals against its maturing debt obligations.

### **Outlook: Stable**

Acuité believes that SBEL will maintain 'Stable' outlook over the medium term on account of its experienced management with an established track record of operations and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

### **Other Factors affecting Rating**

Not applicable

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	675.37	637.44
PAT	Rs. Cr.	25.11	19.64
PAT Margin	(%)	3.72	3.08
Total Debt/Tangible Net Worth	Times	0.55	0.47
PBDIT/Interest	Times	4.33	3.57

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

Not applicable

### 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. -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
16 Jan 2023	Bank Guarantee	Short Term	110.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	31.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	12.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	32.75	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	6.00	ACUITE A   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	4.25	ACUITE A   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	6.50	ACUITE A   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	0.79	ACUITE A   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	8.07	ACUITE A   Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	155.00	ACUITE A1 (Assigned)
	Proposed Cash Credit	Long Term	20.00	ACUITE A   Stable (Assigned)
	Proposed Term Loan	Long Term	40.36	ACUITE A   Stable (Assigned)
	Proposed Term Loan	Long Term	9.64	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A   Stable (Reaffirmed)
	Proposed Term Loan	Long Term	9.64	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	32.75	ACUITE A   Stable (Reaffirmed)
		Long		ACUITE A   Stable



24 Nov 2022	Cash Credit	Term	20.00	(Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A   Stable (Reaffirmed)
	Covid Emergency Line	Long Term	6.00	ACUITE A   Stable (Reaffirmed)
	Covid Emergency Line	Long Term	0.79	ACUITE A   Stable (Reaffirmed)
	Covid Emergency Line	Long Term	8.07	ACUITE A   Stable (Reaffirmed)
	Covid Emergency Line	Long Term	6.50	ACUITE A   Stable (Reaffirmed)
	Covid Emergency Line	Long Term	4.25	ACUITE A   Stable (Reaffirmed)
	Bank Guarantee	Short Term	31.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	12.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	110.00	ACUITE A1 (Reaffirmed)
27 Sep 2021	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)
	Bank Guarantee	Short Term	25.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	31.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A1 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	9.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	32.75	ACUITE A   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	35.25	ACUITE A   Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A   Stable (Assigned)



09 Sep 2021	Cash Credit	Long Term	9.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	32.00	ACUITE A   Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A   Stable (Assigned)
	Bank Guarantee	Short Term	31.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	110.00	ACUITE A1 (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A1 (Reaffirmed)
	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	183.00	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	50.00	ACUITE A1   Reaffirmed
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A1   Reaffirmed
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A1   Reaffirmed
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	55.00	ACUITE A1   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	42.75	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	13.00	ACUITE A   Stable   Reaffirmed
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A   Stable   Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	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	6.86	ACUITE A   Stable   Reaffirmed
Yes Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	0.59	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	5.95	ACUITE A   Stable   Reaffirmed

Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A1   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	47.96	ACUITE A   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Nilesh Soni Senior Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:nilesh.soni@acuite.in">nilesh.soni@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.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.

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