

Press Release

Shrikishan And Company Private Limited

March 08, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	20.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	23.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 23.00 Cr bank facilities of Shrikishan and Company Private Limited (SCPL). The outlook is '**Stable**'.

Rating Rationale

The rating primarily takes into account the steady business risk profile of SCPL buoyed by comfortable order book position. The rating also factors the experience of the management in the civil construction industry, above average financial risk profile characterized by comfortable gearing and efficient working capital management. However, these strengths are partially offset by exposure to risk related to intense competition, industrial cyclicality and geographic concentration.

About the Company

Shrikishan and Company Private Limited (SCPL), a Chhattisgarh based company was incorporated in March 2005 and managed by Mr. Sharad Goyal and Mr. Sushil Agarwal. SCPL is a 'Class A' contractor with the Government of Chhattisgarh, engaged in civil construction works like construction of buildings, roads etc. SCPL receives majority of the contracts from the Government of Chhattisgarh and various municipal corporations in state of Chhattisgarh.

Analytical Approach

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

Key Rating Drivers

Strengths

- Long operational track record and experienced management

Incorporated in 2005, Shrikishan and Company Private Limited (SCPL) has a long operational track record of around two decades in the civil construction industry. Moreover, the key promoter of SCPL, Mr. Sharad Goyal and Mr. Sushil Agarwal who has an experience of over two decades in Infrastructure industry. Acuite believes that the long standing experience of the promoter and the long track record of operations will benefit the company going forward

resulting in steady growth in the scale of operations.

- **Above average financial risk profile**

The company's above average financial risk profile is marked by moderate but improving networth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.26.81 Cr as on March 31, 2022 from Rs.20.79 Cr as on March 31, 2021 due to accretion to reserves. Gearing of the company stood below unity at 0.49 times as on March 31, 2022 as against 0.70 times as on March 31, 2021 due to low dependence on external debt. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.14 times as on March 31, 2022. The interest coverage ratio of the company stood at 4.63 times as on March 31, 2022 and Debt Service Coverage Ratio stood at 2.04 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.64 times as on March 31, 2022. Acuité believes that going forward the financial risk profile of the firm will remain above average with no major debt funded capex plans.

- **Efficient working capital management**

The efficient working capital management of the company is marked by low Gross Current Assets (GCA) of 28 days in as on March 31, 2022 as compared to 50 days as on March 31, 2021, mainly led by comfortable inventory level. The inventory holding level stood at 4 days as on March 31, 2022 as compared to 6 days as on March 31, 2021. Further, the debtor period stood comfortable at 11 days as on March 31, 2022 as compared to 3 days as on March 31, 2021. Acuité believes that the working capital operations of the firm will remain almost at the same levels as evident from efficient collection mechanism and low inventory levels over the medium term. Nonetheless, the company has substantial dependence on its suppliers and creditors to support the working capital; creditors stood at 60 days as on March 31, 2022. Sustained improvement in creditors will remain a key monitorable.

Weaknesses

- **Segmental and geographic concentration in risk**

The revenue depends on the company's ability to bid successfully for tenders, as all its sales are tender based. Furthermore, majority of the projects are funded by the Government of Chhattisgarh and various municipal corporations in state of Chhattisgarh. Majority of the projects are located in Chhattisgarh. Also, SCPL is a regional player, with 100 per cent of the works executed in and around Chhattisgarh.

- **Competitive and fragmented nature of industry coupled with tender based business**

The firm is engaged as a civil contractor and the sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the company must make bid for such tenders on competitive prices, which may affect the profitability of the company. However, this risk is mitigated to an extent as the company is operating in this environment for around a decade.

Rating Sensitivities

Growth in revenue along with improvement in profitability margins

Elongation of working capital cycle

- Reduction in order flow

Material covenants

None

Liquidity Position Adequate

The company's liquidity position is adequate marked by steady net cash accruals of Rs.8.46 Cr in FY2022 as against a long term debt repayment of only Rs. 2.67 Cr over the same period. The current ratio stood comfortable at 1.46 times as on March 31, 2022 as compared to 1.51

times as on March 31, 2021. The unencumbered cash and bank balances stood at Rs 0.91 Cr as on March 31, 2022. Additionally, the fund based limit utilized at only 5.83 per cent for the six-months ended December 2022. However, the company has efficient working capital management as reflected by low Gross Current Assets (GCA) of 28 days as on March 31, 2022 as against 50 days as on March 31, 2021. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes SCPL will benefit over the medium term from its promoters' extensive industry experience. The outlook may be revised to 'Positive' if scale of operations, profitability, and working capital cycle improve significantly, and if the company widens geographical presence. Conversely, the outlook may be revised to 'Negative' if financial risk profile weakens because of significantly low cash accrual, or sizeable working capital requirement, or debt-funded capital expenditure.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	125.81	77.30
PAT	Rs. Cr.	6.02	3.76
PAT Margin	(%)	4.78	4.87
Total Debt/Tangible Net Worth	Times	0.49	0.70
PBDIT/Interest	Times	4.63	4.48

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

India Ratings vide its press release dated 06.02.2023 had reaffirmed the the company to IND-RA BB/A4+; INC.

Any other information

Not Applicable

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, 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. 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	3.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3 Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Dipti Choudhary Management Trainee-Rating Operations Tel: 022-49294065 dipti.choudhary@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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