



Press Release
Shrikishan And Company Private Limited
June 14, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	3.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	17.50	-	ACUITE A3 Assigned
Bank Loan Ratings	34.50	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	57.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating to '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 37.50 Cr. bank facilities of Shrikishan and Company Private Limited. The outlook remains '**Stable**'. Acuite has further assigned the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating to '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 19.50 Cr. bank facilities of Shrikishan and Company Private Limited. The outlook remains '**Stable**'.

Rationale for Rating

The rating reflects SKCPL's comfortable business and financial risk profile. The Company has moderate order size which provides its revenue visibility over the near term. The scale of operation had witnessed a slight weakening in FY24 with revenues at Rs. 119.09 Cr. (Provisional) against revenues of Rs.124.66 Cr. in FY2023 due to work executed towards year end and bills due to be raised. The rating also factors in the improving margins as reflected from operating margin of 9.58 times in FY24 (Prov.) as against 1.97 times in FY23. The PAT margin also increased to 9.83% in FY24 (Prov.) as against (1.26) % in FY2023 and 4.72% in FY2022.

The Company has a moderate financial risk profile marked by low gearing and comfortable debt protection metrics and adequate liquidity. The company's liquidity position is adequate marked by net cash accruals of Rs.14.29 crore in FY24 (Prov.) as against a long-term debt repayment of Rs. 2.71 crore over the same period and high current ratio. Further, the efficient working capital management of the company is marked by Gross Current Assets (GCA) of 39 days in FY24 (Prov.) as compared to 47 days in FY23 and 28 days in FY22. The rating also draws comfort from the longstanding operations of the company, extensive experience of the promoters in the infrastructure industry. However, the rating is constrained by the presence of being in a competitive and fragmented construction industry.

About the Company

Shrikishan and Company Private Limited (SKCPL), incorporated in 2005. The company is engaged in the construction and maintenance of roads and bridges for government bodies. The present directors of the company are Mr. Sharad Goyal and Mr. Sushil Kumar Agrawal. The registered office of the company is in Chhattisgarh.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced Management

The promoter has around two decades of experience in construction business. The long-standing experience of the promoters and long track record of operations has helped them to establish comfortable relationships with key suppliers and reputed customers. The day-to-day operations are carried by its directors, Mr. Sharad Goyal and Mr. Sushil Agarwal who has an experience of over two decades in Infrastructure industry. The extensive experience of management has helped company to get tenders on regular basis. The value of orders in hand comprises of Rs. 376.18 Cr. as on March 31, 2024. Out of which unexecuted order remains to be Rs. 245.24 Cr. The OB/OI is 2.05 times. This provides the company with revenue visibility over the medium term. The company participates and receives majority of the contracts from the Government of Chhattisgarh and various municipal corporations in state of Chhattisgarh.

Acuité derives comfort from the long experience of the management and believes this will benefit the firm going forward, resulting in moderate growth of revenues.

Moderate Financial Risk Profile

The company's financial risk profile is moderate reflected by improving networth, comfortable gearing ratio and debt protection metrics. The tangible net worth of the company increased to Rs.36.95 crore in FY2024 (Prov.) from Rs.25.24 crore in FY2023 due to accretion to reserves. Gearing of the company stood below unity at 0.19 times in FY2024 (Prov.) as against 0.53 times in FY2023 and 0.49 times in FY22. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.37 times in FY2024 (Prov.) as against 2.23 times in FY2023 and 2.14 times in FY2022. The interest coverage ratio of the company improved to 9.09 times in FY24 (Prov.) as against 1.18 times in FY2023 and 4.63 times in FY2022 and Debt Service Coverage Ratio stood at 3.38 times in FY24 (Prov.) as against 0.63 times in FY23 and 2.04 times in FY22. Acuite believes that the financial risk profile of the company will remain moderate with no major capex plans.

Efficient Working Capital Management

The efficient working capital management of the company is marked by low Gross Current Assets (GCA) of 39 days in FY24 (Prov.) as compared to 47 days in FY23 and 28 days in FY22. The inventory days remained at similar levels and stood at 26 days in FY24 (Prov.) as compared to 27 days in FY23 and 4 days in FY22. The debtor days stood comfortable at 5 days in FY24 (Prov.) as against 3 days in FY23 and 11 days in FY22 mainly due to efficient collection mechanism. The creditor days improved to 41 days in FY24 (Prov.) as against 101 days in FY23 and 60 days in FY22. The credit from suppliers is dependent on the payments as and when received from the government. Acuite believes that working capital requirements are expected to remain at similar levels due to the work orders in hand and to be executed over the medium term.

Weaknesses

Competitive and fragmented nature of industry

With increased focus of the central government on the infrastructure sector, SKCPL is expected to reap benefits over the medium term. However, most of its projects are tender-based and face intense competition, which may hence require it to bid aggressively to get contracts. Competition can intensify further due to the recent relaxation in bidding norms by NHAI and the Ministry of Road Transport & Highways (MoRTH).

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, SKCPL is a regional player, with 100 per cent of the works executed in and around Chhattisgarh.

Rating Sensitivities

- Improvement in scale of operations and margins
- Improvement in geographical reach
- Elongation in working capital cycle

Liquidity Position Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.14.29 crore in FY24 (Prov.) as against a long-term debt repayment of Rs. 2.71 crore over the same period. The current ratio stood high at 2.58 times in FY24 (Prov.) as compared to 1.42 times in FY23 and 1.46 times in FY22. The cash and bank balances stood at Rs 1.12 crore in FY24 (Prov.) as against Rs. 1.00 crore in FY23 and Rs. 0.91 crore in FY22. The Company also has mutual funds in their investments to the tune of Rs.17.48 Cr. as on March 31, 2024. The company does not have any debt funded capex plans over the medium term. Additionally, the fund-based limit was utilized at only 5.55 per cent for the six-months ended April 2024. However, the company has efficient working capital management as reflected by low Gross Current Assets (GCA) of 39 days in FY24 (Prov.) as compared to 47 days in FY23 and 28 days in FY22. Acuite believes that the company will maintain adequate liquidity position due to net cash accruals and no major capex plans.

Outlook: Stable

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

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	119.09	124.66
PAT	Rs. Cr.	11.71	(1.57)
PAT Margin	(%)	9.83	(1.26)
Total Debt/Tangible Net Worth	Times	0.19	0.53
PBDIT/Interest	Times	9.09	1.18

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 must 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
17 Mar 2023	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	14.50	ACUITE A3 (Assigned)
08 Mar 2023	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
31 Dec 2021	Bank Guarantee/Letter of Guarantee	Short Term	20.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB- 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
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.50	ACUITE A3 Assigned
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A3 Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BBB- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.50	ACUITE A3 Reaffirmed

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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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