



Rating Rationale

Shiv Bhandar Construction Co.

27 Nov 2018

Brickwork Ratings reaffirms the Rating at BWR BB/A4+ (Outlook:Stable) for the Bank Loan Facilities of Rs.8.50 Crs of Shiv Bhandar Construction Co. ('SBCC' or 'the Firm)

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating *		
	Previous	Present #		Previous to previous (June 2017)	Previous (Sep 2018)	Present (Nov 2018)
Fund based Overdraft	3.00	3.00	Long Term	BWR BB (Pronounced as BWR Double B)	Rating Not Reviewed	BWR BB (Pronounced as BWR Double B) Reaffirmed
Non-Fund Based Bank Guarantee	5.50	5.50	Short Term	BWR A4+ (Pronounced as BWR A Four Plus)		BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed
Total	8.50	8.50	INR Eight Crores Fifty Lakhs Only			

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure I shows the detailed facilities

Rating : Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials of the Company upto FY18, projections upto FY20, publicly available information and information/clarifications provided by the management.

The rating continues to draw strength from the partners' experience in infrastructure industry, satisfactory gearing and interest coverage indicators. However, the rating remains constrained by small scale of operation, moderate profitability, tender based nature of the business, presence in a

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intensely competitive industry and inherent risk.

Going forward the ability of the firm to increase its scale of operation, improve its profitability and manage its working capital efficiently would be the key rating sensitivities.

Key Rating drivers

Credit strengths

The partners of SBCC i.e. Mr. Satish Kumar has 37 years of experience in execution of government's water department contracts. He is supported by other two active partners i.e. Mr. Amit Kumar and Mr. Amit Goyal, each having who have 14 years of experience in similar line of business. Due to the Firm's limited dependence on the bank borrowings coupled with moderate capital base, the total gearing of the Firm has remained at 0.48x as against 0.29x as on March 31, 2017. Owing to the same, the interest expense of the Firm has remained relatively low resulting in a comfortable interest coverage indicator at 2.78x for FY18 as against 2.86x for FY17.

Credit Weaknesses

Although improved but the scale of operation remained small as the Firm reported average Net Revenue of Rs.30.02 Crs for last 3 years as the business activities of the Firm are limited to the state of Rajasthan and Punjab. Due to intense competition from other players and tender based nature of the business, the operating profit margin of the Firm has remained moderate at 9.05% for FY18 as compared to 8.73% for FY17. The Firm faces inherent risk of capital withdrawal by the partners in the event of personal contingencies.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale)

Rating Outlook: Stable

BWR believes SBCC's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Firm

Shiv Bhandar Construction Co. is a partnership firm established in 1981. Firm is into execution of contractual work of laying pipelines for drinking water facilities, construction of storage water tank and sewage treatment plant. SBCC is empanelled with Public Health Engineering Department (PHED), Rajasthan and Punjab Water Supply and Sewerage Board (PWSSB).



Financial Performance

The firm has recorded Net Revenue of Rs.32.71 Crs and PAT of Rs.2.16 Crs in FY 18 as against Net Revenue of Rs.32.68 Crs and PAT of Rs.1.57 Crs in FY17.

Rating History for the last three years:

Sl. No.	Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	3.9.2018	01.6.2017	31.12.2016
1	Fund based Overdraft	Long Term	3.00	BWR BB (pronounced as BWR Double B) (Outlook:Stable) Reaffirmed	Rating Not Reviewed	BWR BB (pronounced as BWR Double B) (Outlook:Stable) Reaffirmed	Rating Not Reviewed
2	Non-Fund Based Bank Guarantee	Short Term	5.50	BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed		BWR A4+ (Pronounced as BWR A Four Plus) Reaffirmed	
			8.50	INR Eight Crores Fifty Lakhs Only			

Status of Non cooperation with other CRA : Not to our knowledge

Any other information : Nil

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

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Annexure I

Details of Rated Bank Facilities

Bank	Name of Facility	Rated Amount (Rs. Crs)
Axis Bank	Overdraft	3.00
Union Bank of India	Bank Guarantee	5.50
Total		8.50

Annexure II

Key Financial Indicators

		31.3.2018 Audited	31.3.2017 Audited
Net Revenue	(Rs. Cr)	32.71	23.68
EBITDA	(Rs. Cr)	2.96	2.07
PAT	(Rs. Cr)	2.16	1.57
Partner's Capital (PC)	(Rs. Cr)	13.82	13.34
Total Debt:PC	(Times)	0.48	0.29
Current Ratio	(Times)	1.80	1.98

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.



About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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