Rating Rationale

Shiva Enterprises

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Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 7.00 Crores of Shiva Enterprises.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit	3.00	Long Term	BWR B Outlook: Stable (Pronounced as BWR B)
Non Fund Based Bank Guarantee	4.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	7.00	INR Seven Crores Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon Shiva Enterprises (SE) Audited Financial Statements from FY15 to FY17 & provisional financials for FY18 for ease in understanding and comparison. SE has also provided the projected financial statements for FY 19, publicly available information and information / clarification provided by the SE management.

The ratings assigned to the bank facilities of SE draws strength from extensive experience of the promoters, moderate coverage ratios, consistent rise in the profitability, comfortable liquidity.

The ratings are however constrained by small scale of operations, drop in TNW, stretched capital base.

Going forward the firm's ability to improve the topline and the gearig and maintain the profitability will be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

Extensive experience of the promoters: SE is promoted by Mr Shyam Mudliar who has 22 years of experience in the field. Also, SE has also been successfully associated with the railway department since the last 23 years as a works contractor.

Moderate coverage ratios: SE has the ISCR & DSCR standing at 1.80x & 2.10x respectively in FY17 which show further improvement in FY18 and stand at 3.48x & 3.95x respectively.

Consistent rise in profitability: The profitability of the firm shows slow yet consistent rise with the NPM standing at 2.79% in FY17 and further increasing to 3.03% in FY18.

Comfortable liquidity: The firm shows moderate level of liquidity with the current ratio standing at 1.29x in FY17 which increases to 1.46x in FY18.

- **Credit Risks:**

Small scale of operations: The firm has small scale of operations despite being in the business for two decades and has a TOI of Rs 10.13 Cr in FY17 which further increases marginally to Rs 13.00 Cr in FY18.

Drop in TNW: The firm has experienced a dip in the TNW from Rs 1.40 Cr in FY16 to Rs 1.32 Cr in FY17 as a result of withdrawal of capital by partners only to increase slightly in FY18 to Rs 2.26 Cr.

Stretched capital base: The firm has a stretched capital base with the TOL/TNW standing at 3.44x in FY17 which later drops to 2.04x in FY18.

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 the **Shiva Enterprises** 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 show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm

SE is a licensed and insured electrical contractor well established at Nagpur in 1995 and is engaged in a wide range of services in Chhattisgarh, Maharashtra, Madhya Pradesh, Telangana having their head office at Nagpur. SE is associated with the railway department since last 23 years as a works contractor of Civil, Signal & Telecom, TRD(Traction railway distribution) construction of the railways. Besides SE is also executing work at some Central & State government bodies like RITES, CSPDCL, Power Grid Corporation Ltd, CPWD, Airport Authority Of India, Container Corporation etc. SE's work also includes wiring for: New Constructions, Remodels, Custom Houses, PSI, TRD, and additions.

Firm's Financial Performance

During FY17, the total operating income of the company stood at Rs.10.13 crore (vis-à-vis Rs.13.00 crore in FY18), whereas the PAT during the same year stood at Rs.0.28 crore (vis-à-vis Rs 0.39 crore in FY18). DSCR stood at 2.10 Times in FY17 as compared to 3.95 Times in FY18.

Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1	**Fund Based**	Long term	3.00	**BWR B (Pronounced as BWR B)**	**NA**	**NA**	**NA**
2	**Non Fund Based**	Short term	4.00	**BWR A4 (Pronounced as BWR A Four)**	**NA**	**NA**	**NA**
	Total		**7.00**	**₹ Seven Crores Only**			

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

Key Financial Indicators

Key Parameters	**Units**	**2017**	**2016**
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	10.13	13.28
EBITDA	₹ Cr	0.46	0.50

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PAT	₹ Cr	0.28	0.32
Tangible Net worth	₹ Cr	1.32	1.40
Total Debt/Tangible Net worth	Times	1.55	1.46
Current Ratio	Times	1.29	1.26

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Infrastructure Sector**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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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.

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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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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