

Rating Rationale

Siddharth Tanks & Vessels Pvt. Ltd.

Brickwork Ratings upgrades the long term rating for the Bank Loan Facilities of ₹. 8.66 Crores of Siddharth Tanks & Vessels Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (June 2020)	Present
Fund based					
Cash Credit	8.50	8.50	Long Term	BWR BB-Stable (Downgraded) Issuer Not Cooperating*	BWR BB Stable Removal from INC and reassignment of rating (Upgraded)
Term Loan	0.69	0.16			
Total	9.19	8.66	INR Eight Crores and Sixty Six Lakhs Only		

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

Complete details of Bank facilities is provided in Annexure-I

*Issuer not cooperating based on best available information

RATING ACTION/ OUTLOOK

BWR has Removed from INC status of rating & upgraded the long term rating of Siddharth Tanks & Vessels Pvt. Ltd. to BWR BB/Stable.

The rating draws strength from promoter's experience over two decades in the civil construction industry, moderate net worth and moderate profit margins. The rating is however constrained by weak coverage indicators, stretched working capital, low and fluctuating top line, tender based nature of business, concentration risk and exposed to negative impact of COVID 19.



BWR believes that the business risk profile of Siddharth Tanks & Vessels Pvt. Ltd.. will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

KEY RATING DRIVERS

BWR principally relied upon audited financials upto FY19, FY20 Provisional and CMA Projected upto FY22 and publicly available information and information / clarification provided by the management.

Credit Strengths:

- **Management Experience:** The promoters of the company i.e. Mr. Siddharth Chaturvedi, Mr. Sujith Kumar Shetty and and Mr. Rakesh Kumar Chaturvedi has more than two decades of experience in the civil construction industry through their association with STVPL and other entities. On the account of the timely completion of the project, the company has gained a reputation and has established good relationships with its customers.
- **Moderate networth** The TNW stands improved at Rs 15.97 crs in FY20 v/s Rs 15.65 Crs in FY19, due to profit retention in the company. The TNW has improved Y-o-Y.
- **Profits Margins:** OPM is at 12.92% in FY20, v/s 7.54% in FY19 & 6.25% in FY 18 which shows an increasing trend. Profit margin is higher . since STVPL 's few projects are in niche categories. NPM is at 1.61% in FY20, v/s 0.63% in FY19 & 1.92% in FY 18 which shows a fluctuating trend. The same can be considered as adequate.

Credit risks:

- **Weak coverage indicators and capital structure :** The ISCR stood weak at 1.20 x in FY20 as against 1.20x in FY19 respectively. The DSCR also stood weak at 0.73 x in FY20 as against 0.90 x in FY19 respectively. The ISCR is projected to moderate at 1.92x due to high operating margin in FY21 , since operating expenses have reduced . DSCR is projected weak at 0.81x in FY21 due increased debt obligation, company has used unsecured loans for debt obligation. USL will stay in the business for medium term and USL are non interest bearing. Company has also introduced USL and inter- corporate borrowing in FY20 of Rs. 2.93 Crs. Going forward any shortfall in debt obligation will be met by inducting additional unsecured loans from directors, friends and family members. The D/E stood at 1.42 in FY 20, declined from 1.40 in FY19. The TOL/TNW stood at



1.65x in FY 20 v/s 1.96x in FY19.

- **Working Capital intensive nature of operations :** Operations remains working capital intensive as funds being blocked in receivables (247days) leading to high utilization of working capital limit. Working capital requirements is stretched with GCA/ Total Sales reported at 122% in FY20 VS 83% in FY19 and is primarily driven by significant outstanding receivable and working capital utilisation is 95% for the last 12 months .
- **Low and Fluctuating top line:** TOI has reduced by 42% in FY20 to Rs 20.00 crs FY20 VS Rs. 34.50 crs in FY19. On account of slowdown and COVID 19 impact few projects could not be completed .The scale of operations is at low level showing fluctuating trends on Y-O-Y basis. They have cloaked sales of Rs. 12.00 crs 8M FY21. It is low since the initial 4 months due lockdown situation, it was nil, later it has started with limited labour. The entity has projected sales of Rs. 40.00 Crs in FY21, management have clarified that they will be able to achieve the sales of Rs. 40.00 Crs , as business is up and running with enough orders in hand and pipeline. Entity has a majority of orders for J & K highways and bridges etc. Due to low temperature , work starts normally in Jan- Feb , hence, it has high receivable (less than 6 m) and high inventory . It has impacted the top line of the business. In FY20, due to lockdown situations it has further impacted the top line.
- **Tender Based nature of Business:**There is always uncertainty regarding outcome of tender due to unavailability of information from rival bidders. Technical errors and different interpretations of legal documents also affect outcome. Cost escalation/ overrun on account of delay in projects do hamper the outcome.
- **Concentration Risk:** Company's order book reflects dependency on few clients to support its scale of operations.
- **COVID Impact:** The company was able to maintain its operations even after the outbreak of COVID-19 pandemic and subsequent lockdowns as the projects were located in remote areas of the country. The company is presently executing projects in the states of J&K , UP and other parts of the country with permission from the government authorities. The company has made necessary arrangements for the labour to stay at the site so that the execution work is not hampered due to lack of labour. The company is mainly facing issues with respect to movement of technical staff and material between different parts of the country. The company has reported around Rs. 12.00 crores of revenue during April to Nov 2020. Till, till the end of July there were no operations due to countrywide lockdown situations. Further, the company had availed six month moratorium for the period during March to Aug 2020 as per the guidelines provided by RBI.



ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the entity to accelerate its scale of operations, increase its profit margins, compliance of bank's sanction terms, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities over short to medium term.

Positive: The rating outlook may be revised to positive or rating may be upgraded if the company is able to sustain its growth and profit margins. Any additional infusion of share's capital would help to improve its capital structure of the entity.

Negative: The rating outlook may be revised to negative or rating may be downgraded if the entity achieves lower revenue and profit margins than projected.

LIQUIDITY POSITION: Moderate

The cash & cash equivalent is Rs. 0.45 Crs in FY19. The average utilisation of the working capital stood at the level 95%. The entity has not applied for enhancement in the working capital limits to support the additional working capital requirement. The Current ratio is above unity and stood at 1.54 x as of March 2019. The net cash accrual stood Rs. 0.52 Crs FY19, Rs.0.59Crs FY20. The funding support from the friends and family by way of unsecured loan and ploughing back of profits has supported liquidity and such funding support will be available whenever required. It has also introduced funds through USL and inter- corporate deposit of Rs. 2.93 Crs in FY20, which will be kept in the business for medium term.

COMPANY PROFILE

M/S Incorporated in 1999 Siddharth Tanks and Vessels Pvt.Ltd is engaged in the business of



engineering & construction of bridges for rails, roads, pipelines for oil, gas, turnkey projects development including designing, manufacturing, erection and commissioning of plants for different process industries. Company is managed by Mr. Siddharth Chaturvedi, Mr. Rakesh Kumar Chaturvedi has more than two decades of experience in the civil construction industry. The company is associated as a sub-contractor on EPC basis with various infrastructure companies whereby it gets orders through bidding and tendering processes. The company procures its raw materials i.e. steel and reinforced cement concrete (RCC) along with bought in goods domestically as and when required. Company has a manufacturing capacity located in Bharatpur, Rajasthan, which primarily used manufacturing of customized equipment in case of specific truncated projects.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	₹ Cr	34.50	52.12
EBITDA	₹ Cr	2.60	3.26
PAT	₹ Cr	0.22	1.00
TNW	₹ Cr	15.65	15.56
Total Debt/TNW	Times	1.40	1.35
Current Ratio	Times	1.54	1.48

On a Provisional basis : The company reported Operating revenue reported Rs. 20.00 Crs , EBITDA Rs. 2.58 Crs , PAT Rs. 0.32 crs , TNW Rs. 15.97 Crs , total debt to TNW 1.42 x and current ratio 2.01 x in FY20

KEY COVENANTS OF THE FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: Issuer Non Cooperation Care BB-/Stable March 2020

RATING HISTORY FOR LAST 3 YEARS (INCLUDING WITHDRAWN/SUSPENDED)

Facilities	Current Rating 2020			Rating History						
	Current Rating			04 June 2020			09 Jan 2029		2018	2017
Bank Loan										
	F B	8. 66	BWR BB Stable Removal from INC and reassignment of rating (Upgraded)	FB	9.19	BWR BB- Stable (Downgr aded) Issuer Not Cooperati ng*	FB	9.1 9	BWR BB Stable (Assig ned)	NA

*Issuer not cooperating based on best available information

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Infrastructure Sector**

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ANNEXURE I

Siddharth Tanks & Vessels Pvt. Ltd. Details of Bank Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facilities	Long Term [₹ Cr]	Short Term [₹ Cr]	Total [₹ Cr]
1.	PNB (Earlier OBC)	Cash Credit Term Loan	8.50 0.66	-	8.66
TOTAL					8.66

Rupees Eight Crores and Sixty Six Lakhs Only

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