



Rating Rationale

Sindhuja Engineers & Contractors

31 Dec 2018

Brickwork Ratings assigns the rating for the Bank Loan Facilities amounting to Rs. 5.50 Crs of Sindhuja Engineers & Contractors.

Particulars:

Facility	Amount Rated (Rs in Cr)	Tenure	Rating*
Fund Based Cash Credit	0.50	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable
Non-fund Based BG/LC	5.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	5.50	INR Five Crores & Fifty Lakhs Only	

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

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of Sindhuja Engineers & Contractors(SEC) up to FY18 & other publicly available information and information/clarifications provided by the firm.

The rating derives strength from moderate credit risk profile of SEC indicated by its comfortable debt coverage ratios, low gearing and moderate profitability. The rating also gets support from medium to long term visibility of revenues and better working capital management of the firm.

However, the rating is constrained by modest scale of operations, limited operational track record of the proprietor and time and cost overrun risks faced by the firm in executing the contracts/ projects. The rating is further weakened by the proprietorship constitution exposing it to the risks of capital withdrawal and limited financial flexibility. Further, seasonality in operations, tender based nature of the projects, high competition and labour related challenges are also the rating constraints for the firm.

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Going forward, ability of the firm to execute the projects on time and maintaining the profitability margins shall remain the key rating sensitivities.

Key Rating Drivers:

Strengths:

- **Comfortable Financial Risk Profile:** SEC's gearing stood comfortable at 0.89 times as on 31st March 2018. Its debt coverage metrics were also comfortable at 4.73x (ISCR) and 3.66x (DSCR) in FY18. Net profit margin of the firm was 7.37% in FY18.
- **Revenue visibility from medium to long term:** The firm has bagged 3-4 orders recently from Government of Bihar worth Rs 24 Crores. This makes the unexecuted order book of SEC to over Rs 40 Crores.
- **Working capital management:** The firm manages its working capital needs with only limited funding from bank (Rs 0.5 Crs). Its cash conversion cycle is negative in FY18 as it had zero trade receivables and inventory of Rs 0.18 Crs as on 31st March 18.

Weakness:

- **Low scale of operations:** The firm's scale of operations are small with a revenue size of Rs 17.70 Cr in FY18.
- **Limited operational track record in executing projects:** The proprietor, Mrs Ribha Sharma has limited experience in executing the projects. Further, the projects are exposed to risks related to execution such as time and cost overrun.
- **Proprietorship constitution:** The proprietorship constitution of the firm limits its financial flexibility in terms of raising funds as well as allows capital withdrawal by proprietor.

Analytical Approach



For arriving at its ratings, BWR has considered the standalone approach and financial risk profile of SEC. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Support from Group Company:

SEC is not a part of any group.

Rating Outlook: Stable

BWR believes that SEC’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 firm registers significant increase in its revenues and maintains its margins. The rating outlook may be revised to 'Negative' if the revenues of the firm do not grow as expected and if there are time and cost overrun in the projects undertaken.

About the Firm:

Sindhuja Engineers & Contractors is a proprietorship concern of Mrs Ribha Sharma W/o Mr Sushil Kumar. The firm is a registered contractor with Water Resource Deptt., PHED, Railway & other departments of Bihar Government.

Financial Performance:

SEC booked total operating income of Rs 17.70 Crores in FY18 as against Rs. 20.26 Crores in FY17. PAT stood at Rs 1.30 Crores both in FY18 in FY17.

Parameters		FY 2018(A)	FY 2017(A)
Total Operating Income	Rs in Cr	17.70	20.26
OPBDIT	Rs in Cr	1.81	1.54
PAT	Rs in Cr	1.30	1.30
Tangible Net Worth	Rs in Cr	2.84	2.05
Total Debt/TNW	Times	0.89	0.39

Rating History for the last three years:

Rating in 2018				Rating History		
Facility	Amount Rated (Rs in Crs)	Tenure	Rating	2017	2016	2015
Fund Based Cash Credit	0.50	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	NA	NA	NA
Non-fund Based BG/LC	5.00	Short Term	BWR A4 (Pronounced as BWR A Four)			
Total	5.50	INR Five Crores & Fifty Lakhs Only				

Status of non-cooperation with previous CRA: NA

Hyperlink/Reference to Applicable Criteria:

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

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For print and digital media



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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.

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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