

Shakuntala Singh

January 20, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|--|---------------------|---|---|
| Long Term Bank Facilities | 9.65 | CARE BB-; Stable; ISSUER NOT COOPERATING* | Downgraded from CARE BB; Stable and moved to ISSUER NOT COOPERATING category |
| Long Term / Short Term Bank Facilities | 28.35 | CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* | LT rating downgraded from CARE BB; Stable and ST rating reaffirmed and moved to ISSUER NOT COOPERATING category |

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Shakuntala Singh to monitor the rating(s) vide e-mail communications/letters dated January 15, 2025, January 07, 2025 and December 06, 2024 among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. The company also has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings on bank facilities of Shakuntala Singh will now be denoted as 'CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*'

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in ratings assigned is on account of non-availability of requisite information for continuous monitoring of the ratings. CARE Ratings views information availability risk as a key factor in its assessment of credit risk. Further, the ratings assigned to the bank facilities of Shakuntala Singh is constrained on account of the firm's small scale of operations coupled with low and concentrated order book. Further, the ratings are constrained owing to the highly competitive industry with business risk associated with tender-based orders, working capital intensive operations, volatility associated with fluctuations in the input prices and absence of price escalation clause and constitution of the entity being a proprietorship firm. The ratings, however, derive comfort from the experienced management coupled with long track of operations, moderate profitability margins, and moderate capital structure and debt coverage indicators.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook reflects that the firm will continue to benefit from the long-standing experience of the proprietor in the industry.

Detailed description of key rating drivers: At the time of last rating on February 08, 2024, the following were the rating weaknesses and strengths:

Key weaknesses

Small scale of operations

The scale of operations of the firm stood small, marked by total operating income of Rs. 63.37 crore in FY23 (Audited) as against Rs. 76.44 crore in FY22 (Audited). The decline in scale is on account of the lower tenders executed by the firm. The small scale limits the financial flexibility of the firm in times of stress and deprives it of scale benefits. Further, the firm has achieved a total operating income of Rs. 34.07 crore in 9MFY24 and is expected to achieve a total operating income of around Rs. 117.07 crores in FY24 backed by unexecuted orderbook of Rs. 70.17 crore and unbilled revenue of Rs. 21.55 crore.

Low and concentrated order book

The firm has low unexecuted order book of around Rs. 70.17 crores as on January 29, 2024, which is equivalent to approx. 1.11x of the total operating income achieved in FY23. Further, the firm has an unbilled revenue amounting to Rs. 21.55 crore as on January 29, 2024. The firm derives revenue from construction and maintenance work. However, the present unexecuted order book is entirely concentrated to Public Works Department (PWD). Thus, the firm is exposed to risk of any unfavourable changes in the policies towards awarding of new contracts. Further, effective and timely execution of the orders has a direct bearing on the total operating income and profitability margins of the firm.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Highly competitive industry with business risk associated with tender-based orders

M/s Shakuntala Singh operates in a highly competitive construction industry wherein it faces direct competition from various organized and unorganized players in the market given the low barriers to entry. There are number of small and regional players catering to the same market which has limited the bargaining power of the firm and has exerted pressure on its margins. Further, the firm receives all of its majority of work orders from the government departments. The risk arises from the fact that any changes in geo-political environment and policy matters would affect all the projects at large. Furthermore, any changes in the government policy or government spending on projects are likely to affect the revenues of the firm. Moreover, the firm primarily undertakes government projects which are awarded through the tender-based system. This exposes the firm towards risk associated with the tender-based business, which is characterized by the intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder.

Volatility associated with fluctuations in input prices and absence of price escalation clause

The major input materials for the firm are bitumen, cement, bricks, sand etc. The prices of these products are volatile in nature. This apart, any increase in labour cost will also impact the profitability being the firm present in a highly labour-intensive industry. Further, the absence of price escalation clause restricts the firm's ability to pass on the incremental raw materials and other costs to its customers and is likely to impact the profitability of the firm.

Working capital intensive operations

The operations of the firm are working capital intensive as marked by high gross current assets of 136 days as on March 31, 2023, on account of moderate inventory and receivables. The firm maintains minimum inventory in the form of raw materials at different sites for smooth execution of contracts. Also, under progress inventory accounted as work in progress inventory in the books of accounts. The firm raises bills on the completion of certain percentage of work and thereon which gets acknowledge by client after necessary inspection of work done. Post the inspection, department clears the payment by deducting certain percentage of bill raised (ranging from 5-10% of bill amount) in the form of retention money, which they refund after completion of order/contract or submission of bank guarantee results into average collection period of 55 days for FY23. The firm procures construction material on an average credit period of around 3-4 months from its suppliers. The average working capital utilization remains around 70% utilised for the past 12 months ended December 2023.

Constitution of the entity being a proprietorship firm

M/s Shakuntala Singh's constitution being a proprietorship firm has the inherent risk of possibility of withdrawal of the proprietor's capital at the time of personal contingency and the firm being dissolved upon the death/insolvency of proprietor. Moreover, the proprietorship firms have restricted access to external borrowing as credit worthiness of the proprietor would be the key factors affecting credit decision for the lenders.

Key strengths

Experienced management coupled with long track of operations

Established in the year 1995, M/s Shakuntala Singh is being run and managed by its proprietor, Ms. Shakuntala Singh. She has an experience of around one and half decades in the civil construction industry and also have an adequate acumen about various aspects of the business which is likely to benefit the firm in the long run. She is well supported by her son, Mr. Ramesh Singh, who is a graduate and has an experience of around one and half decades in the civil construction industry through his association with the firm. The firm is having a considerable track record in this business which has given them an understanding of dynamics of the market and enabled them to establish long-term relationships with both suppliers and customers.

Moderate profitability margins

The profitability margins of the firm stood moderate, marked by the PBILDT and PAT margins of 12.10% and 3.52% respectively in FY23 (Audited) vis-à-vis 9.40% and 3.50% respectively in FY22 (Audited). The PBILDT margin improved due to execution of better margin tenders. Further, the PAT margin remains in line with last year due to high finance cost. Going forward, the PBILDT margin is expected to remain moderate in the range of 10.00-12.00% over the medium term.

Moderate capital structure and debt coverage indicators

As on March 31, 2023 (Audited), the debt profile of the firm comprises of term loan of Rs.10.88 crore, unsecured loans from related parties of Rs.0.22 crore, mobilization advances of Rs.7.04 crore and utilized balance of the working capital borrowings of Rs.0.98 crore against small tangible net worth base of Rs. 14.49 crore. The capital structure of the firm improved though stood moderate, marked by the overall gearing ratio of 1.32x in FY23 (Audited) vis-à-vis 2.61x in FY22 (Audited). The improvement in the capital structure is primarily on account of lower mobilization advances availed by the firm in FY23. Further, the capital structure is expected to deteriorate marginally though remain moderate over medium term on account of increase in debt levels, primarily due to higher utilization of working capital borrowings to support the growth in business. Further, the debt coverage indicators of the firm stood moderate, marked by interest coverage ratio and total debt to gross cash accruals of 3.62x and 3.45x respectively in FY23 (Audited) vis-à-vis 5.65x and 4.95x respectively in FY22 (Audited). The deterioration in interest coverage ratio is on account of higher finance costs. However, the total debt to gross cash accruals improved due to lower mobilization advances availed leading to decline in debt levels.

Applicable criteria

[Definition of Default](#)
[Policy in respect of non-cooperation by issuers](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Construction](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|-------------------------|--------------|--------------|--------------------|
| Industrials | Construction | Construction | Civil Construction |

Established in the year 2008, M/s Shakuntala Singh is a proprietorship firm based in Gorakhpur (Uttar Pradesh). The firm is engaged in the road construction and civil works in Uttar Pradesh state for PWD and other government agencies. The overall operations of the firm are run and managed by its proprietor, Ms. Shakuntala Singh, who is an undergraduate by qualification. She is well supported by her son, Mr. Ramesh Singh, who is a graduate by qualification. They have an experience of around one and half decades in the civil construction industry through their association with the firm.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | 9MFY24 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| Total operating income | 76.44 | 63.37 | 34.07 |
| PBILDT | 7.19 | 7.67 | NA |
| PAT | 2.67 | 2.23 | NA |
| Overall gearing (times) | 2.61 | 1.32 | NA |
| Interest coverage (times) | 5.65 | 3.62 | NA |

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|--|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Term Loan | | - | - | June 2027 | 2.40 | CARE BB-; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Working Capital Limits | | - | - | - | 7.25 | CARE BB-; Stable; ISSUER NOT COOPERATING* |
| Fund-based/Non-fund-based-LT/ST | | - | - | - | 14.35 | CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* |
| Non-fund-based - LT/ST-Bank Guarantee | | - | - | - | 14.00 | CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Fund-based - LT-Working Capital Limits | LT | 7.25 | CARE BB-; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB; Stable (08-Feb-24) | - | - |
| 2 | Fund-based - LT-Term Loan | LT | 2.40 | CARE BB-; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB; Stable (08-Feb-24) | - | - |
| 3 | Non-fund-based - LT/ST-Bank Guarantee | LT/ST | 14.00 | CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE BB; Stable / CARE A4 (08-Feb-24) | - | - |
| 4 | Fund-based/Non-fund-based-LT/ST | LT/ST | 14.35 | CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE BB; Stable / CARE A4 (08-Feb-24) | - | - |

*Issuer did not cooperate; based on best available information.

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|--|------------------|
| 1 | Fund-based - LT-Term Loan | Simple |
| 2 | Fund-based - LT-Working Capital Limits | Simple |
| 3 | Fund-based/Non-fund-based-LT/ST | Simple |
| 4 | Non-fund-based - LT/ ST-Bank Guarantee | Simple |

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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Disclaimer:

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