

Shree Hari Infraprojects Private Limited

February 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	403.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Downgraded from CARE BBB; Stable / CARE A3+ and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	17.00	CARE A4+; ISSUER NOT COOPERATING*	Downgraded from CARE A3+ 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. (CARE Ratings) has been seeking No Default Statements and information from Shree Hari Infraprojects Private Limited (SHIPL) to monitor the ratings vide e-mail communications dated February 24, 2025; February 13, 2025; January 31, 2025 amongst others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating on the basis of the best available information which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The ratings on SHIPL's bank facilities 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).

Revision in ratings assigned to the bank facilities of SHIPL is on account of non-availability of No Default Statement for the months of December 2024 and January 2025 and other requisite information despite repeated requests. Ratings assigned to the bank facilities of SHIPL continue to remain constrained by susceptibility of SHIPL's profitability to volatile raw material prices, segmentally concentrated order book in an intensely competitive and fragmented water infrastructure segment and working capital intensive nature of operations.

Ratings, however, factors in growth in its scale of operations along with improvement in profitability leading to healthy cash accruals during FY23 (FY refers to the period April 01 to March 31) and 9MFY24. Ratings also factors augmentation of the net worth base and consequent improvement in SHIPL's financial risk profile. Ratings further continue to derive strength from SHIPL's experienced promoters, long track record of operations in execution of water infrastructure projects, healthy order book with limited counterparty risk and increased thrust of the government on infrastructure development.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings' expectation of steady credit risk profile of the company backed by promoters' experience in the construction segment and healthy orderbook ensuring strong revenue visibility over the medium term.

Detailed description of the key rating drivers

At the time of last rating on May 10, 2024, the following were the rating strengths and weaknesses considered.

Key weaknesses

Moderate capital structure, albeit improvement expected going forward

SHIPL's capital structure continues to remain moderate marked by overall gearing of 1.60x as on March 31, 2023 (FY22: 1.58x). The overall gearing remained moderate despite accretion of profits to reserves owing to significant increase in LC backed procurement and increase in WC capital borrowings during FY23. Also, along with incremental debt levels the working capital requirement of the company was also funded by creditors leading to high TOL/TNW levels at 2.71x as on FY23 end. (FY22: 2.62x). The debt coverage indicators of the company marked by PBILDT interest coverage and TD/GCA improved marginally to 5.10x (FY22: 4.87x) and 4.30 years (FY22: 5.63x) respectively during FY23 owing to increase in profitability in absolute levels. Nevertheless, with scaling up of operations and improvement in profitability, overall financial risk profile improved capital structure of the company is expected to improve marked by augmentation of SHIPL's net worth base.

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

Working capital intensive nature of operations

The construction segment is inherently working capital intensive primarily due to funding requirement towards the security deposits, retention amount and margin money requirement for the non-fund-based facilities. GCA days, albeit reduced, remained elongated at 192 days during FY23 (215 days in FY22). The operating cycle of the company, nevertheless, remained lean at 31 days during FY23 (FY22: 45 days) owing to elongated credit period availed from creditors. Efficient management of working capital requirement in light of its growing scale of operations shall remain key monitorable from credit rating perspective.

Presence in an intensely competitive and fragmented construction industry

SHIPL is a mid-sized player operating in intensely competitive and fragmented construction industry, wherein, projects are awarded on the basis of relevant experience of the bidder, financial capability, and most attractive bid price. The competitive intensity is on account of the presence of a large number of contractors, resulting in aggressive bidding, which restricts the margins. Moreover, due to the low counterparty credit risk and a relatively stable payment track record associated with projects funded by Central and state government bodies, these projects are lucrative for all contractors, and hence, remain highly competitive.

Susceptibility of profitability to fluctuations in input prices

The execution period of contracts awarded to SHIPL usually ranges from 12-24 months, hence, considering the contracts does not have price escalation clause in majority of the contracts, the profitability remains susceptible to significant changes in input prices. Nevertheless, the company builds in inflation margin of around 10-15% while bidding for the projects and also enters in MOU with reputed suppliers for fixing the prices of DI Pipes at the time of receipt of contract, which is likely to result into stable profitability margins for the company going forward.

Key strengths

Growing scale of operations along with improvement in profitability

SHIPL's TOI grew significantly to Rs.402.60 crore during FY23 as against Rs.236.84 crore during FY22 marking a y-o-y growth of 70% backed by strong execution of the orders awarded under Jal Jeevan Mission and AMRUT Mission.

PBILDT margin of the company improved marginally by 96 bps to 9.83% during FY23 (FY22: 8.87%) owing to better absorption of fixed overheads due to increase in scale. In line with the operating margins, the PAT margin of the company also improved marginally to 5.13% during FY23 (FY22: 4.31%).

As per the provisional results of 9MFY24, SHIPL has reported a TOI of around Rs.337 crore with PBILDT margin of 14.56%. SHIPL expects to achieve a TOI of around Rs.500 crore while maintaining its PBILDT margin at 14% for FY24.

Growth in orderbook ensuring healthy revenue visibility in the medium term

As on February 01, 2024, SHIPL has an unexecuted orderbook of Rs.2069 crore (December 31, 2022: Rs.1492 crore), translating into healthy orderbook/gross billing ratio of 4.84x based on FY23 revenue. SHIPL has added orders worth ~Rs.1231 crore since the last review. The significant improvement in order book position is attributable to strong focus of state/central government on execution of water resource development projects. The orderbook remains moderately diversified in terms of geography, with SHIPL's presence in 3 states i.e. Chhattisgarh (35%), Rajasthan (33%) and Uttar Pradesh (32%).

Around 61% of the unexecuted orderbook constitutes of orders which are yet to commence execution or are at nascent stage of execution as the company has been awarded such orders majorly during Q2FY24 and Q3FY24. While the expected growth in TOI and profitability is supported by healthy orderbook an execution track record in last two years, timely execution of orders while managing its incremental working capital requirements remain crucial from the credit perspective.

Experienced promoters with established track record of SHIPL's operations

SHIPL has an established track record of more than a decade in civil construction and execution of water supply projects. Over the years of its existence, the company has developed long standing relationship with its clients. Currently operations of SHIPL are managed by Mr. Pankaj Upadhyaya who has around two decades of experience in the industry. All the directors are assisted by experienced management team to carry out project execution and day-to-day operations.

Increased thrust of government on infrastructure projects

The Government of India (GoI) has undertaken several steps for boosting the infrastructure development and to revive the investment cycle in the country. Furthermore, the focus of GoI on water-related infrastructure through Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Jal Jeevan Mission, Har Ghar Jaal and Namami Gange Mission has resulted in better fund allocation and faster execution of the projects. The same has gradually resulted in increased workorder inflow and movement of passive orders in the existing order book of the players like SHIPL.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Shree Hari InfraProjects Private Limited (SHIPL), erstwhile M/s. Shree Hari Projects, commenced operations as a partnership firm in 2007 which has been converted into a private limited company (closely held, 100% owned by promoters) in May 2009. It undertakes EPC activities pertaining to pipelines, water tanks, reservoirs, solar-based bore-wells, pump houses, filter plants, intake wells, as well as providing operation and maintenance (O&M) services. SHIPL is registered as "AA class" Contractor for civil works with Public Health Engineering Department, Govt. of Rajasthan. SHIPL's registered office is located at Jaipur.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	December 31, 2023 (Prov.)
Total operating income	236.84	402.60	337.33
PBILDT	21.00	39.56	49.13
PAT	10.20	20.64	26.85
Overall gearing (times)	1.58	1.60	1.05
Interest coverage (times)	4.87	5.10	8.49

A: Audited; Prov: Provisional; Note: 'these are latest available financial results'

Status of non-cooperation with previous CRA: None

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Bank Overdraft	-	-	-	-	6.50	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Cash Credit	-	-	-	-	73.50	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	323.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	-	17.00	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	Non-fund-based - LT/ ST-BG/LC	LT/ST	323.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	1)CARE BBB; Stable / CARE A3+ (10-May-24) 2)CARE BBB; Stable / CARE A3+ (05-Apr-24)	-	1)CARE BBB-; Stable / CARE A3 (21-Feb-23)	-
2	Fund-based - LT/ ST-Cash Credit	LT/ST	73.50	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	1)CARE BBB; Stable / CARE A3+ (10-May-24) 2)CARE BBB; Stable / CARE A3+ (05-Apr-24)	-	1)CARE BBB-; Stable (21-Feb-23)	-
3	Fund-based - LT/ ST-Bank Overdraft	LT/ST	6.50	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	1)CARE BBB; Stable / CARE A3+ (10-May-24) 2)CARE BBB; Stable / CARE A3+ (05-Apr-24)	-	-	-
4	Non-fund-based - ST-Letter of credit	ST	17.00	CARE A4+; ISSUER NOT COOPERATING*	1)CARE A3+ (10-May-24) 2)CARE A3+ (05-Apr-24)	-	-	-

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

ST: Short 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/ ST-Bank Overdraft	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple
4	Non-fund-based - ST-Letter of credit	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.

Contact us

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About us:

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Disclaimer:

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