

Shanti Construction (Guj) Private Limited

March 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	11.51	CARE BBB; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category; Outlook revised from Positive
Long Term / Short Term Bank Facilities	121.95	CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category; Outlook revised from Positive

Details of instruments/facilities in Annexure-1.

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

Rationale and key rating drivers

Shanti Construction (Guj) Private Limited (SCGPL) 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.'s rating on SCGPL's bank facilities will now be denoted as **CARE BBB; Stable/CARE A3+; 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 ratings assigned to the bank facilities of Shanti Construction (Guj) Private Limited (SCGPL) continue to derive strength from vast experience of the promoters along with an established track record of operations in the civil construction segment, healthy order book with low counterparty risk and adequate liquidity, though with sizeable working capital requirements. The ratings also factor in the substantial growth in company's scale of operations in FY24 (FY refers to the period April 01 to March 31) backed by healthy order execution, along with moderate profitability and a comfortable financial risk profile, though networth base remains limited.

These rating strengths are, however, partially offset by SCGPL's geographically and segmentally concentrated order book, susceptibility of its profitability to raw material price volatility, and its presence in an intensely competitive and fragmented construction industry.

Analytical approach: Standalone

Outlook: Stable

The outlook has been revised to 'Stable' from 'Positive' on account on non-receipt of information for reviewing the ratings.

Detailed description of the key rating drivers:

At the time of last rating on November 11, 2024 the following were the rating strengths and weaknesses

Key strengths

Experienced promoters and established track record of operations

The overall functions of SCGPL are looked after by. Dhansukh Devani and Kanaiyalal Devani, who have an experience of more than three decades in the construction segment. The extensive experience of the promoters and the company's long track record of operations provide the necessary technical expertise and established relationships with various stakeholders for execution of contracts.

Healthy orderbook with low counterparty risk with built in price escalation clause

SCGPL's order book stood at Rs.1261.13 crore as on March 31, 2024 (Rs. 1411.99 crore as on December 31, 2023) which is equivalent to 2.93 times of TOI for FY24, indicating a healthy revenue visibility in the medium term.

SCGPL's order book is majorly from government entities including urban local bodies and state government undertakings, which translates into a low counterparty credit risk. All the contracts in the order book have an in-built price escalation clause which provides partial protection against risk arising out of adverse movement in prices of major inputs such as raw materials in the absence of any annual price/volume contracts with approved raw-material suppliers.

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

Substantial growth in scale of operations and moderate profitability

SCGPL reported compounded annual growth of ~21% in its TOI over the period of five years ending FY24. On-y-o-y basis SCGPL reported significant growth of ~47% in its TOI to Rs.430.59 crore (PY: Rs.293.01 crore). The substantial growth in the scale of operations was primarily on account of pickup in order execution.

Company's PBILDT margin largely remained stable at 6.62% in FY24 (PY: 7.16%) with marginal moderation of 54 bps in FY24 over FY23 on account of increase subcontracting expense to 31% of the total cost of sales (PY: 22% of the total cost of sales). Nevertheless, with dip in finance cost & depreciation cost, the PAT margin marginally improved by 35 bps to 4.22% in FY24 (PY: 3.87%). With a substantial growth in scale and stable operating profitability, SCGPL reported y-o-y growth of 45% in its gross cash accruals (GCA) to Rs.21.47 crore (PY: Rs.14.80 crore).

As per the provisional financials for H1FY25, SCGPL reported TOI of Rs.162.10 crore (9MFY24: Rs.280 crore) with PBILDT of Rs. 12.97 crore.

Comfortable capital structure and debt coverage indicators; though with moderate network base

SCGPL's capital structure improved and continues to remain comfortable, marked by an overall gearing of 0.24 times as on March 31, 2024 (0.45x as on March 31, 2023). The improvement in gearing level was on account of accretion of profits to reserves along with lower utilisation of working capital limits as on balance sheet date owing to better cashflow from operations. Network base however stood moderate at Rs.76.31 crore at FY24 end.

The debt coverage indicators improved further and remained healthy, marked by interest coverage and total debt to GCA of 13.89 times (PY: 7.23 times) and 0.86 times (PY:1.78 years) respectively, during FY24. The improvement in debt coverage indicators was on account of growth in scale of operations and moderate debt levels.

Key weaknesses

Geographical and segmental concentration of order book

SCGPL's order book remains geographically concentrated in two states i.e. Gujarat (52%) and Maharashtra (34%). The company has however moderately diversified its operations in the state of Bihar, which accounts for 14% of the current order book. Geographical concentration of the order book exposes SCGPL to any adverse changes in the political environment or policy matters of the state that could affect the projects at large. Furthermore, the order book is segmentally concentrated in civil construction, primarily buildings. However, SCGPL's established track record of execution of multiple building construction contracts in past mitigates this risk to an extent.

Fragmented nature of the industry and stiff competition in government funded projects

Indian construction sector is highly fragmented with presence of many mid and large sized players. Moreover, due to low credit risk and a relatively stable payment track record associated with projects funded by government bodies, these projects are lucrative for all contractors. Also, removal of bid guarantee requirement for almost a year in EPC contracts post COVID-19 had resulted in aggressive bidding by large number of mid-sized players. These factors impact the profitability, scale and pricing power of mid-size entities such as SCGPL.

Sizeable working capital requirements

Operations of SCGPL are predominantly working capital intensive in nature due to requirement of funds for retention money, security deposits and margin money, apart from credit period offered to the clients, mainly government authorities. High working capital intensity is however partially offset by creditors and deposits from sub-contractors, resulting in a moderate and stable, operating cycle of 40 days in FY24 (PY: 39 days). The gross current assets days improved at 117 days (PY: 154 days) in FY24. Payment from counterparties is cleared on running account basis.

Liquidity: Adequate

Liquidity of SCGPL remains adequate characterized by sufficient cushion in gross cash accruals vis-à-vis repayment obligations, along with moderate utilization of working capital limits. The maximum utilization of fund-based and average utilisation non-fund-based limits remained moderate at around 72% and 77% respectively for the past 12 months ended August 31, 2024. The company generated cash flow from operations of Rs.23.07 crore in FY24 (PY: Rs.3.61 crore), which resulted in a build-up of free cash and bank of around Rs.7.36 crore as on March 31, 2024 (PY: Rs.1.08 crore). SCGPL's current ratio and quick ratio remained comfortable at 1.59 times (PY:1.49 times) and 0.65 times (PY: 0.75 times) respectively at FY24 end.

SCGPL is envisaged to generate gross cash accruals in the range of Rs.26-34 crore in near to medium term, which provides sufficient cushion for debt repayment obligations of around Rs.0.70-1.00 crore and incremental working capital requirements.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction Sector](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Incorporated in June 2010, Jamnagar-based Shanti Construction (Guj) Private Limited (SCGPL) is engaged in the business of building construction for government and private sector projects .

Over the years, SCGPL has successfully carried out civil construction as well as turnkey works for Low Income Group (LIG) housing, hospitals, colleges, hostels, fire stations, police residential quarters mainly across the state of Gujarat. SCGPL is an accredited "AA Class" contractor (on the scale of AA to E-2, AA being the highest) by R&B department, Government of Gujarat (GoG), Gujarat Water Supply and Sewage Board (GWSSB) and is also registered with various other government, semi-government and private organisations.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	293.01	430.59	162.10
PBILDT	20.98	28.51	12.97
PAT	11.33	18.15	7.24
Overall gearing (times)	0.45	0.24	0.25
Interest coverage (times)	7.23	13.89	27.02

A: Audited UA: Unaudited; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	11.05	CARE BBB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	November 2024	0.46	CARE BBB; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	121.95	CARE BBB; Stable / CARE A3+; 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-Bank Overdraft	LT	11.05	CARE BBB; Stable; ISSUER NOT COOPERATING *	1)CARE BBB; Positive (11-Nov-24) 2)CARE BBB; Stable; ISSUER NOT COOPERATING * (11-Jun-24)	1)CARE BBB; Stable (07-Feb-24)	1)CARE BBB; Stable (30-Dec-22)	1)CARE BBB; Stable (23-Mar-22)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	121.95	CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATING *	1)CARE BBB; Positive / CARE A3+ (11-Nov-24) 2)CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATING * (11-Jun-24)	1)CARE BBB; Stable / CARE A3+ (07-Feb-24)	1)CARE BBB; Stable / CARE A3+ (30-Dec-22)	1)CARE BBB; Stable / CARE A3+ (23-Mar-22)
3	Fund-based - LT-Term Loan	LT	0.46	CARE BBB; Stable; ISSUER NOT	1)CARE BBB; Positive (11-Nov-24)	1)CARE BBB; Stable	1)CARE BBB; Stable	1)CARE BBB; Stable

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
				COOPERATING *	2)CARE BBB; Stable; ISSUER NOT COOPERATING * (11-Jun-24)	(07-Feb-24)	(30-Dec-22)	(23-Mar-22)

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

LT: Long term; 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-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	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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