Sharika Enterprises Limited

March 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	9.15 (Enhanced from 7.80)	CARE B+; Stable	Upgraded from CARE B; Stable
Long Term / Short Term Bank Facilities	0.85 (Reduced from 2.20)	CARE B+; Stable / CARE A4	LT rating upgraded from CARE B; Stable and ST rating reaffirmed
Short Term Bank Facilities	20.00 (Enhanced from 10.00)	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in long-term ratings and reaffirmation of short-term ratings assigned to the bank facilities of Sharika Enterprises Limited (SEL) takes into consideration growth in scale of operations on the back of higher procurement, execution and billing of contracts in FY24 (refers to the period April 1 to March 31) and 9MFY25 (refers to the period April 1 to December 31), improvement in operating cycle along with the moderate capital structure and debt coverage indicators of the company. The ratings, further, continue to draw comfort from the experienced management coupled with long track record of operations and moderate though concentrated order book position of the company. The ratings, however, continue to remain constrained by its low profitability margins and project execution risk inherent in various infrastructure projects. Further, the ratings continue to remain constrained by its presence in a highly competitive industry with presence of several unorganized players and risks associated with tender-based orders.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations as marked by total operating income of above Rs.100.00 crore by timely execution of projects in hand and improvement in the order book position to more than 1.25x of previous year turnover.
- Improvement in profitability margins as marked by PBILDT margin above 5.00% on sustained basis.
- Improvement in the collection period of the company for less than 100 days.

Negative factors

- Deterioration in the capital structure as marked by overall gearing ratio of above 1.20x.
- Significant decline in profitability margins thereby, impacting the liquidity position of the company.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects that the entity will continue to benefit from the experience of the promoters in the industry along with its established track record of operations.

Detailed description of the key rating drivers:

Key weaknesses

Low profitability margins: The profitability margins of the company as marked by PBILDT and PAT margin witnessed improvement however, stood low at 2.34% and 2.87% respectively, in FY24. The profitability of the company is governed by a mix of fixed price and short duration contracts (usually one year) executed by the company. Any adverse movement in raw materials cost/input prices for fixed price contracts may adversely impact the profitability margins of the company.

Project execution risk inherent in various infrastructure projects: Given the nature of projects awarded, SEL is exposed to inherent risk in terms of delays in certain projects undertaken by the company due to delay in approvals and sanction from regulatory bodies thus exposing SEL towards the risk of delay in projects resulting in a delay in the realization of revenue growth. Further, the company's ability to execute a project in timely manner would be led by its own operational efficiency and timely stage payments received from its clients which are crucial from credit perspective.

[1]Complete 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: SEL operates in a highly competitive 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 company and has exerted pressure on its margins. Further, the company majorly undertakes government and private projects, which are awarded through the tender-based/ bidding system. This exposes the company towards risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. This apart, any changes in the government policy or government spending on projects are likely to affect the revenues and profits of the company.

Key strengths

Growing scale of operations: SEL's scale of operations has grown significantly over the past 3 fiscals ending FY24 owing to execution gaining pace. The company has reported total operating income (TOI) and gross cash accruals (GCA) of Rs.78.60 crore and Rs.2.28 crore respectively, during FY24 (FY refers to the period April 1 to March 31) as against Rs.50.40 crore and cash losses of Rs.(2.65) crore respectively, during FY23. The increase in TOI is on account of higher procurement, execution and billing of contracts. Further, the company has achieved total operating income of Rs.63.28 crore during 9MFY25 (refers to the period from April 1, 2024 to December 31, 2024; based on unaudited results) and is expected to book revenue of more than Rs.90.00 crore in FY25 owing to trend of major billing and revenue generation gets done in the last quarter of year.

Improvement in operating cycle: The operating cycle of the company improved and stood at 136 days for FY24 (P.Y.: 210 days) primarily on account of early realization from its customers. Due to better negotiation terms with the customers and procurement of only those contracts wherein the realization used to happen on timely basis has resulted in improvement in collection period to 124 days for FY24 (209 days for FY23). The company raises bills on milestone basis i.e. on the completion of certain percentage of work i.e. 70% against the supply of material, 10% at the time of erection, 10% after testing & commissioning and rest 10% is kept as retention money and thereon which gets acknowledged by customer after necessary inspection of work done by the respective departments. Post inspection, the department clears the payment within 3-4 months (maximum) by deducting certain percentage of bill raised (10% of bill amount) to be held for the warranty period in the form of retention money (usually upto 5 years), which can be released after submission of bank guarantee. Furthermore, there is normally a procedural delay in relation being customers are primarily government departments/ public sector undertakings. Moreover, major portion of contracts are executed in the last quarter of financial year and hence, the bills raised mostly gets realized in the first quarter of the next financial year. The inventory is in the form of raw materials and work in progress at different sites on account of procedural delays involved in the certifications/validation of the invoices for the contracts executed resulting in an average inventory holding period of 48 days for FY24. Further, timely realization from customers has resulted in early payment to its suppliers resulting in an average creditor's period of around 36 days for FY24.

Experienced management coupled with long track record of operations: SEL is currently being managed by Mr. Rajinder Kaul and Mr. Sanjay Verma. Mr. Rajinder Kaul (Managing Director) has done B.Tech and M.B.A. and holds experience of more than three decades in varied sectors such as EPC business, power generation, transmission and distribution sector through his association with this entity and in individual capacity. Before that, he was associated with the companies namely; 'Cable Corporation of India Limited' and 'Schneider Electric India Private Limited' at a managerial position. The other director; Mr. Sanjay Verma holds experience of more than two decades in EPC business through his association with this entity. Further, SEL is also supported by a team of qualified engineers, supervisory staff and technical team to work on various sites having relevant experience in their respective fields.

Moderate capital structure and debt coverage indicators: The capital structure of the company continues to remain moderate as marked by overall gearing ratio which stood at 0.34x as on March 31, 2024 mainly on account of satisfactory net worth base against the limited debt levels. Further, the capital structure is expected to remain moderate at below unity level as envisage in the near to medium term.
Further, owing to limited debt levels, the debt coverage indicators of the company remain moderate as marked by interest coverage ratio and total debt to GCA of 1.50x and 3.85x respectively, for FY24. The improvement is on the back of high PBILDT levels backed by increase in the turnover.

Moderate though concentrated order book position: SEL has an unexecuted order book position of Rs.95.24 crore as on February 10, 2025 which is equivalent to ~1.21x of its total operating income achieved in FY24, thereby reflecting near term revenue visibility. However, the present entire unexecuted order book is concentrated ~57.52% towards contracts from Ali Mohammad Baba & Sons, Jammu & Kashmir and NHPC Limited, Jammu & Kashmir. Thus, the company is exposed to risk of any unfavourable changes in the policies towards award of new contracts. Furthermore, the effective and timely execution of the orders has a direct bearing on the total income and margins of the company.

Liquidity: Stretched

The liquidity position of the company remained stretched characterized by elongated collection period which led to high average utilization of its fund based working capital limits which stood ~80%-90% utilized for the past 12 month's period ending January, 2025. Further, the company has low free cash & bank balances which stood at Rs.0.39 crore as on March 31, 2024. However, the company has moderate accruals vis-à-vis repayment obligations. The company has reported net cash accruals (NCA) to the extent of Rs.2.28 crore during FY24 and is expected to generate envisage GCA of Rs.2.40 crore for FY25 against repayment obligations of Rs.1.86 crore in same year with no major capex plan in near term.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Service Sector Companies
Construction
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Sharika Enterprises Limited (SEL) (erstwhile known as Sharika Enterprises Private Limited) was incorporated in May, 1998 as a private limited company. Later, in 2017, it was converted into public limited company (Listed). The company is currently being managed by Mr. Rajinder Kaul and Mr. Sanjay Verma. The company undertakes engineering procurement construction (EPC) contracts wherein it is engaged in the designing, supply, installation, testing, laying, commissioning and maintenance of power transmission EHV cables & accessories, electrical sub-stations, switchyards, power capacitors, switchgears, cast resin transformers, auto re-closers, fault passage indicators (FPI), LED street lighting system, solar home lighting system, grid & off-grid rooftop solar power plants, etc. The company is also engaged in proving consultancy for project management and EPC contracts in the field of power generation, transmission and distribution sector which contributes ~10% of the total income in FY24. The company caters to different government departments/public sector undertakings and private entities such as Tata Power Delhi Distribution Limited, Bharat Heavy Electrical Limited, NHPC Limited, Himachal Pradesh State Electricity Board Limited, NTPC Limited, etc. It has also signed a Joint Venture agreement with SPIN Engenharia De Automacao Ltd, a premier Brazilian company and Nayon Kontrol System (NKS), Philippines specializing in advanced automation and control systems for the energy sector for the development of India-specific Supervisory Control and Data Acquisition (SCADA) and Advanced Distribution Management & Outage Management System (ADMS).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)*
Total operating income	50.40	78.60	63.28
PBILDT	-1.37	1.84	-1.72
PAT	-3.07	2.26	-3.35
Overall gearing (times)	0.50	0.34	NA
Interest coverage (times)	-0.87	1.50	-1.48

A: Audited; UA: Unaudited; NA: Not Available; Note: these are latest available financial results
*refers to the period from April 1, 2024 to December 31, 2024.

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-Cash Credit		-	-	-	7.00	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	March, 2028	2.15	CARE B+; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	0.85	CARE B+; Stable / CARE A4
Non-fund-based - ST-Bank Guarantee		-	-	-	20.00	CARE A4

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-Term Loan	LT	2.15	CARE B+; Stable	-	1)CARE B; Stable (08-Mar-24)	-	-
2	Fund-based - LT-Cash Credit	LT	7.00	CARE B+; Stable	-	1)CARE B; Stable (08-Mar-24)	-	-
3	Non-fund-based - ST-Bank Guarantee	ST	20.00	CARE A4	-	1)CARE A4 (08-Mar-24)	-	-
4	Fund-based/Non-fund-based-LT/ST	LT/ST	0.85	CARE B+; Stable / CARE A4	-	1)CARE B; Stable / CARE A4 (08-Mar-24)	-	-

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

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based - 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.

Contact us

Media Contact	Analytical Contacts
Name: Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Name: Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3444 E-mail: ankur.sachdeva@careedge.in	Name: Puneet Kansal Director **CARE Ratings Limited** Phone: +91- 120-445 2018 E-mail: puneet.kansal@careedge.in Name: Sachin Mathur Associate Director **CARE Ratings Limited** Phone: +91- 120-445 2054 E-mail: sachin.mathur@careedge.in Name: Aashu Singh Lead Analyst **CARE Ratings Limited** E-mail: aashu.singh@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in