

May 19, 2025

## Shekhawati Entrepreneur Private Limited: [ICRA]B+(Stable) Assigned

### Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long Term- Overdraft	5.00	[ICRA]B+(Stable); Assigned
<b>Total</b>	<b>5.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating assigned to Shekhawati Entrepreneur Private Limited (SEPL) is constrained by its limited track record in the construction industry (started operations in FY2020) and a weak financial risk profile. This is reflected in its modest scale of operations (Rs. 57.1 crore in FY2024 (audited) and Rs. 100 crore in FY2025, as per management's guidance), low operating profit margin (Less than 5%) and marginal net worth (Rs. 5 crore as of December 2024, provisional data), leading to high leverage (TOL/TNW of 2.6 times as of December 2024). The company has been operating as a subcontractor to larger EPC players in the road construction segment, which also constrains its margin profile. SEPL's revenues and operating margins remain susceptible to the stiff competition and tender-driven nature of business, an inherent feature of the entities associated with the construction industry. The company's ability to sustainably build up its order book (OB) and execute in a timely manner remains crucial from a credit perspective.

The rating is, however, supported by its moderate OB position, which stood at ~Rs. 213 crore as of March 2024. This translates into OB/OI in FY2025 (provisional) of 2.1 times, providing revenue visibility for a period of 1.5-2 years. The unsecured loans (USL) extended by the promoters, limited the company's reliance on bank borrowings until FY2025. However, with the scale-up in operations and repayment of USLs, external debt levels are expected to increase. SEPL's ability to enhance its bank lines to manage the scaling up of its operations while maintaining a prudent working capital cycle and liquidity remains a key credit monitorable.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will sustain its scale of operations given the outstanding OB. The company's coverage metrics are likely to remain commensurate with its rating level, despite operating margins being range-bound (3-4%).

### Key rating drivers and their description

#### Credit strengths

**Moderate order book position provides medium-term revenue visibility** - SEPL had an unexecuted OB of ~Rs. 213 crore as of March 2025, translating into OB/OI (order book/operating income) (FY2025 estimated) of over 2 times, providing medium-term revenue visibility.

#### Credit challenges

**Weak financial risk profile** – SEPL has a limited track record of operations, having started its operations in FY2020. Its financial profile remains weak, as reflected in a modest scale (Rs. 100 crore in FY2025 estimated), low margins (3-4%) and marginal net worth (Rs. 5 crore as of December 2024). High reliance on creditors, along with low net worth, results in elevated leverage metrics (TOL/TNW of 2.6 times as on December 31, 2024). The company remains susceptible to any significant decrease in the credit period extended by its suppliers, which could pressurise the cash flows. Additionally, its liquidity is stretched, with

limited cushion in its fund-based limits and no sanction of non-fund-based limits. Given the scale-up in operations, its ability to improve profitability and judiciously manage its working capital cycle (including tie-up for working-capital lines) remains important from a credit perspective.

**High client and geographical concentration risks** - As per the current OB, more than 90% of the company's revenues will stem from the Rajasthan-based project, exposing it to region-specific economic and political risks. Also, the entire OB constitutes sub-contracting orders from a single counterparty, which exposes its revenues to client concentration risk. However, the promoter family's long and established association with this client mitigates counterparty risk to an extent.

**Competitive industry; tender-driven nature of business impacting pricing flexibility** - SEPL is exposed to intense competition, given the highly fragmented industry with numerous players in the organised and unorganised segments. Also, given the tender-based contract award system, the company remains exposed to volatility in order inflows, revenues and pressure on profit margins.

### Liquidity position: Stretched

The company has minimal long-term debt obligations, but the cushion remains limited in terms of free cash on books or unutilised working capital limits, which constrain its liquidity. The cash flows from operations are projected to be Rs. 2-3 crore. The limit utilisation for the Dropline Overdraft facility for trailing 11 months, as of February 2024, stood at 61%. At present, the company has no non-fund-based sanction limits. Timely sanction (NFB) and enhancement of WC limits would be imperative for sustainably scaling up of operations.

### Rating sensitivities

**Positive factors** – Sustained and significant improvement in scale of operation and net worth, along with improvement in liquidity position, will be crucial for a rating upgrade.

**Negative factors** – Pressure on SEPL's rating could arise if there is a significant decline in the scale of operations due to a slow fresh order addition or delays in execution. Further, any significant deterioration in the working capital cycle and/or any major debt-funded capex, which adversely impacts the company's leverage metrics and/or liquidity position, would also be a credit negative.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology on Construction</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of SEPL.

### About the company

Incorporated in 2009, Shekhawati Entrepreneur Private Limited (SEPL) is an engineering, procurement and construction player based in Rajasthan. SEPL is primarily involved in road and EPC works, often subcontracting for private players such as New India Contractors Private Limited. The company executes construction work for roads, bridges, canals and others. Additionally, SEPL is also involved in optical fibre laying, precast manhole manufacturing and RCC Hume pipes production. The company recently executed a HAM project in Maharashtra, subcontracted by New India Contractors and Developers Private Limited. Its primary clientele includes the NHAI, MoRTH and others. SEPL has undertaken projects across Rajasthan and Maharashtra.

## Key financial indicators (audited)

SEPL (Standalone)	FY2023	FY2024	9M FY2025*
Operating income	9.2	57.1	67.8
PAT	0.2	0.5	2.2
OPBDIT/OI	3.7%	2.2%	4.3%
PAT/OI	2.3%	0.8%	3.2%
Total outside liabilities/Tangible net worth (times)	7.3	5.1	2.6
Total debt/OPBDIT (times)	37.4	5.5	0.5
Interest coverage (times)	120.6	13.1	4.4

Source: Company, ICRA Research; \* Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Instrument	Type	Amount rated (Rs. crore)	May 19, 2025						
Overdraft	Long term	5.00	[ICRA]B+ (Stable)	-	-	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term- Overdraft	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

#### Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Overdraft	NA	NA	NA	5.00	[ICRA]B+(Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis - Not applicable

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