

## Shree Shyam Designs Pvt. Ltd.

April 06, 2018

### Summary of rated instruments

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Proposed Fund Based	10.00	[ICRA]BB- (Stable); Assigned
Short Term – Proposed Non-fund Based	10.00	[ICRA]A4; Assigned
Long Term/Short Term- Unallocated limits	5.00	[ICRA]BB- (Stable)/[ICRA]A4; Assigned
<b>Total</b>	<b>25.00</b>	

### Rating action

ICRA has assigned a long-term rating of [ICRA]BB- (pronounced ICRA double B minus) and a short-term rating of [ICRA]A4 to the Rs. 20.0-crore proposed fund based and non-fund based facility of Shree Shyam Designs Pvt. Ltd. (SSDPL or the company)<sup>1</sup>. ICRA has also assigned the long-term rating of [ICRA]BB- and the short-term rating of [ICRA]A4 to the Rs.5.0-crore unallocated limits of SSDPL. The outlook on the long-term rating is 'Stable'.

### Rationale

The assigned ratings take comfort from SSDPL's established operational track record and long experience of its promoters in the interior decoration business. The ratings factor in the established customer base of the company, which includes reputed corporate players and the track record of repeat business from existing clients over the years. The ratings also take into account SSDPL's healthy profitability and limited reliance on external borrowings resulting in adequate debt coverage indicators.

The ratings are, however, constrained by the company's modest scale of operations and the intense competition in the industry due to its fragmented nature. The risk is further accentuated by the competitive bidding system for awarding contracts along with dependence on project management companies (PMC's) for new business. With limited orders in hand and low duration of the contracts (average of approximately 45-90 days), the company needs to acquire contracts on an ongoing basis to sustain its revenue base. ICRA also takes into account the high sector-concentration risk with presence only in the corporate offices segment exposing the company to slowdown in new commercial offices supply.

Going forward, the company's ability to steadily increase the scale of operations while maintaining its profitability and capital structure and efficiently managing its working capital will be the key rating sensitivities.

### Outlook: Stable

ICRA believes Shree Shyam Designs Pvt. Ltd will continue to benefit from the extensive experience of its promoters and availment of working capital facilities to acquire larger contracts. The outlook may be revised to 'Positive' if substantial growth in revenue and profitability, and better working capital management, strengthens the financial risk profile. The outlook may be revised to 'Negative' if cash accrual is lower than expected, or if any major capital expenditure, or stretch in the working capital cycle, weakens the liquidity.

<sup>1</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

## Key rating drivers

### Credit strengths

**Long standing experience of the promoters in the interior decoration industry** - SSDPL provides interior designing services to corporate clients and is well equipped with a team of project managers, architects, engineers, quality controllers, safety inspectors and supervisors with experience in interior designing, planning and project execution services.

**Established customer base, which includes reputed corporate players** - With the vast experience of the promoters spanning over three decades in the industry, the company has established relationships with a number of reputed players. The company has worked on a number of projects in the past undertaking interior decoration for players like Sandisk, Society Generale, JP Morgan Chase, Genpact, IBS Software, etc. The company also gets repeat orders for renovation from its existing clients. The clientele consisting of reputed corporates mitigates the counterparty risk to a large extent.

**Healthy financial profile** – The financial risk profile of the company remains healthy, marked by comfortable capital structure, as reflected by moderately low gearing of 0.51 time as on March 31, 2017 and healthy debt protection metrics (interest cover at 55 times, Total Debt/OPBDITA at 1.35 times as on March 31, 2017) on account of low reliance on external borrowings and healthy profitability.

### Credit challenges

**Small scale of operations** – The scale of operations for the company remains small with revenues of Rs.20.0 crores and Rs.20.67 crores respectively during FY2017 and 10MFY2018 and capital employed of Rs.8.61 crore as of March 31, 2017, resulting in limited financial and operational flexibility.

**Limited number of orders in hand coupled with small size and short tenure of most of the projects limits the revenue visibility** - SSDPL has an unexecuted order book of Rs.2.3 crore as of December 2017 resulting in Order book/OI ratio of 0.12 times (w.r.t to OI for FY2017), providing low revenue visibility in the medium term. Due to the low duration of the orders (average of approximately 45-90 days), the company needs to acquire contracts on an ongoing basis to sustain its revenue base. However, ICRA notes that SSDPL has bid for fresh projects worth around Rs. 11.4 crore which are currently under negotiation.

**Competitive tender bidding system and highly fragmented industry with intense competition** - SSDPL participates in private tenders referred through architects, project management committees (PMC's), etc. The interior decoration industry being a highly fragmented sector characterised by a large number of players in the organised as well as the unorganised segments, with tenders mainly awarded on the basis of competitive pricing, quality of work and scale of operations of the bidder—the revenue and profitability of the company stands exposed to the high competition.

**Susceptibility of margins to volatility in prices of raw materials in absence of price escalation clause in most contracts** - Almost all the projects are material and labour inclusive with no escalation clause that exposes the company to fluctuations in its prices. The timely completion of the projects remains essential for prevention of cost over-run.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria:**

[Corporate Credit Rating Methodology](#)

## About the company:

Shree Shyam Designs Private Limited (SSDPL) was established in the year 2007 by Mr. Mukesh Kumar and Mrs. Manju Devi as directors and is an ISO 9001:2008, ISO 14001:2008 and ISO 18001:2007 certified entity. The company is into the business of rendering commercial interior decoration services. The clientele of the company includes corporates like Genpact, Sandisk, Uber India, Molex, Nexus India Capital, CBRE South Asia Private Limited, etc. The head office of the company is in Bengaluru, Karnataka and it has branch offices in Telangana, Andhra, Tamil Nadu, Maharashtra, Kerala, Karnataka, Delhi, Haryana and Uttar Pradesh.

In FY2017, the company reported a net profit of Rs. 1.0 crore on an operating income of Rs. 20.0 crore, as compared to a net profit of Rs. 0.8 crore on an operating income of Rs. 14.7 crore in the previous year.

## Key Financial Indicators (Audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	14.7	20.0
PAT (Rs. crore)	0.8	1.0
OPBDIT/ OI (%)	9.2%	10.6%
RoCE (%)	30.4%	28.1%
Total Debt/ TNW (times)	0.6	0.5
Total Debt/ OPBDIT (times)	2.0	1.3
Interest coverage (times)	57.2	55.4
NWC/ OI (%)	14.1%	1.0%

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

## Any other information: None

## Rating history for last three years:

Current Rating (FY2019)					Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
1 Proposed fund-based	Long Term	10.00	-	April 2018 [ICRA]BB-(Stable)	-	-	-
2 Proposed non-fund based	Short Term	10.00	-	[ICRA]A4	-	-	-
9 Unallocated Limits	Long/Short Term	5.00	-	[ICRA]BB-(Stable)/[ICRA]A4	-	-	-

## Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Proposed fund-based	-	-	-	10.00	[ICRA]BB-(Stable)
NA	Proposed non-fund based	-	-	-	10.00	[ICRA]A4
NA	Unallocated Limits	-	-	-	5.00	[ICRA]BB-(Stable)/ [ICRA]A4

Source: SSDPL

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