Press Release

Sheranwali Infrastructure Private Limited

March 21, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	60.00 (Enhanced from Rs.30.00 crore)	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	Rating Reaffirmed	**Simple**
Short Term Bank Facilities	33.00 (Reduced from Rs.36.00 crore)	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Rating Reaffirmed	**Simple**
Total	**93.00 (Rupees Ninety-Three Crore Only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its ratings assigned to the bank facilities of Sheranwali Infrastructure Private Limited (SIPL). These ratings are driven by strong order book from reputed clients, improvement in profitability margins in FY24 (refers to the period from 1st April 2023 to 31st March 2024) and current financial year, experienced promoters and revenue diversification (from ancillary services for mining of different commodities, and EPC contracts with Larsen & Toubro) resulting in stable cash flows. However, ratings are constrained due to tender driven nature of business, geographical concentration risk and exposure to regulatory risk.

'Stable' outlook for Sheranwali Infrastructure Pvt Ltd, reflects the steadily growing demand for coal mining given the use of coal in industries such as thermal power, cement and steel. Therefore, the demand for services ancillary to coal mining such as overburden removal, transportation of soil to alternate location, coal transportation etc will also experience strong

demand over the medium. Additionally, the company has diversified into services related to chromite and bauxite mining and is also present in EPC work related to construction activity such as electrical and plumbing services, apart from civil engineering work, particularly in railway projects. This diversification is expected to stabilize revenue sources and cash flows.

Key Rating Sensitivities:

Upward Factors

- Sustained increase in scale of operation with improvement in cash accruals.
- Improvement in profitability with EBITDA margin above FY24 level on a sustained basis.
- Improvement in capital structure with reduction in TOL/TNW below 1x.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators on a sustained basis.
- Any un-envisaged incremental debt funded capital expenditure leading to a deterioration in its overall gearing ratio.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Strong order book from reputed clients**

  As on February 28, 2025, SIPL had total order book of Rs. 2070.72 crore out of which 624.12 crore has been executed and unexecuted order book is of Rs. 1446.60 crore. Most of the orders in the order book are from Mahanadi Coal Fields Limited which is a major coal producing company of India and it is the subsidiary of Coal India Limited (rated CRISIL AAA/Stable, CRISIL A1+) assuring timely payment of bills. SIPL has got one major order from Northern Coal Fields Limited of Rs. 1013.24 crores for which execution has also started. If 1013.24cr of orders out of total unexecuted order book of Rs.1446.6cr is from Northern Coal Fields Ltd, then this entity will be contributing to the bulk of order book, not Mahanadi. Again, Northern Coal Field is a subsidiary of Coal India Ltd, which is expected to translate into timely payment of bills generated. Most of the orders are expected to be completed in 2025 – 2026 ensuring medium term liquidity to SIPL.

Press Release

- **Improvement in profitability margins:**

  SIPL reported income of Rs.233.32 crore in FY24 as against Rs. 217.74 crore in FY23. The increase in revenue was on account of better industry situation, increase in the orders, timely completion of the projects, and SIPL's ability to avail the opportunities available in the market. Further, SIPL's gross cash accruals stood at Rs. 22.63 crore in FY24 (Rs. 17.46 crore in FY23) due to increase in the absolute PAT. EBIDTA margin increased and stood at 13.25% in FY24 as against 10.10% in FY23 due to purchase of equipment and vehicles (particularly stone crushers), resulting in savings in operating lease expenses. SIPL has recently changed its business approach whereby rather than going for lease of all vehicles/ equipment, it has opted for a mix of owned and leased vehicles/ equipment to boost profitability. In line with improved EBITDA margin, PAT margin also increased and stood at 3.51% in FY24 as against 3.39% in FY23.

- **Experienced promoters**

  SIPL is an Orissa based company, engaged in civil construction, overburden removal for coal fields, deploying of payloaders and machinery for coal fields, and transportation business.. It was incorporated in 2010, and is promoted by Mr. Abhimanyu Behera and Daljit Singh Kang. Both have more than two decades of experience in the business. Promoters are ably supported by highly qualified and experienced second line of management. Most of the key managerial persons looking after day-to-day operations have two decades of experience in their respective fields.

- **Revenue diversification to stabilize cash flows**

  SIPL's diversified business profile positions it as a well-rounded and stable company. Its core revenue generation from mining activities—coal, iron ore, bauxite, and chromite mining ensures it benefits from resource extraction, which is a major contributor to cash flow. This focus on mining also ties into the growing global demand for raw materials in various industries. In addition to mining, SIPL's long-standing partnerships in the EPC (Engineering, Procurement, and Construction), electrical, civil, and mechanical sectors with Larsen & Toubro over the past decade further adds stability to its business growth. Looking ahead, SIPL's involvement in contracts with Indian Railways for laying tracks is

under development. All of these factors combined contribute to a diversified revenue base and the potential for steady cash flow generation, positioning the company well for the future.

Key Rating Weaknesses

- **Tender driven nature of business**

  SIPL is a mid-sized operator in the fiercely competitive sector, where projects are chosen based on the bidder's financial strength, necessary experience, and most competitive price. Because there are many contractors, there is intense competition, which leads to aggressive bidding that reduces margins. In the medium run, meanwhile, it is anticipated that the government's focus on coal mining to support industries such as thermal power, cement and steel will be beneficial for players like SIPL which provide ancillary services for this sector.

- **Geographical concentration risk**

  SIPL specializes in overburden removal, and logistics associated with coal and iron ore mining in India. As Odisha has abundant coal reserves and contributes to over 80% of iron ore reserves, mining of iron ore and coal is concentrated in this state. Hence, SIPL has major geographical concentration of revenues in Odisha. In FY24 86.04% of total sales were generated from this state. Apart from Odisha, SIPL's operations are focused on Jharkhand and Madhya Pradesh. The current order book is also highly concentrated on Orissa, accounting for ~46% of the on-going orders.

- **Exposure to regulatory risk**

  SIPL majorly derives revenue from the mining sector which is highly regulated. Any modification in government regulations can lead to disruption in the business operations.

  .

Analytical Approach: Standalone

Press Release

Applicable Criteria:

Rating Methodology for service sector companies

Criteria on assigning rating outlook

Policy on Default Recognition and Post-Default Curing Period

Complexity Level of Rated Instruments/Facilities

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

SIPL's liquidity position remained adequate marked by current ratio of 1.46x as on March 31, 2024 (1.16 as March 31, 2023). The company's cash accruals are sufficient to meet its repayments in FY24-26. SIPL has projected GCA in the range of Rs. 26.00 crores to Rs. 34.00 crore annually as against the debt repayment of Rs. 11.56 crore to Rs. 12.47 crore. The average working capital utilisation for last 12 months ended December 2024 stood at 68.57% giving sufficient headroom.

About the Company

SIPL is an Odisha based company. SIPL was incorporated in 2010, and the company is promoted by Mr. Abhimanyu Behera and Mr. Daljit Singh Kang. SIPL is engaged in civil construction, overburden removal for coal fields deployment of payloaders and machinery for coal fields, and transportation business.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	217.74	233.32
EBITDA	22.00	30.90
PAT	7.40	8.23
Total Debt	48.57	85.01
Tangible Net Worth	23.66	31.89
EBITDA Margin (%)	10.10	13.25
PAT Margin (%)	3.39	3.51
Overall Gearing Ratio (x)	2.05	2.67
Interest Coverage (x)	8.39	6.02

** Classification as per Infomerics' standards.*

Press Release

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in in 2021-2022
					Date (January 23, 2024)	**Date** (Month XX, 20XX)	**Date** (Month XX, 20XX)
1.	Cash Credit	Long Term	40.00	IVR BBB-/Stable	IVR BBB-/Stable	-	-
2.	Overdraft	Long Term	20.00	IVR BBB-/Stable	IVR BBB-/Stable	-	-
3.	Bank Guarantee	Short Term	33.00	IVR A3	IVR A3	-	-

Analytical Contacts:

Name: Sudarshan Shreenivas
Tel: (022) 62396023
Email: Sudarshan.shreenivas@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Private Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

Press Release

For more information and definition of ratings please visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	40.00	IVR BBB-/ Stable
Overdraft	-	-	-	-	20.00	IVR BBB-/ Stable
Bank Guarantee	-	-	-	-	33.00	IVR A3

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/Len-Sheranwali-Infrastructure-21mar25.pdf

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

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com