



Press Release

Sibin Group

March 02, 2021

Ratings

Sl. No.	Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long term Bank Facilities	25.00	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	Reaffirmed
	Total	25.00 (Rs Twenty Five crore Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Sibin Group (SIBG) continues to derive comfort from its long and successful track record under an experienced proprietor, reputed clientele resulting in low counter party risk and diversified segment portfolio with synergy benefit. Further, the rating also notes strong profitability of the entity along with its satisfactory order book position indicating a strong near to medium term revenue visibility and satisfactory financial risk profile marked comfortable capital structure with satisfactory debt coverage indicators. These rating strengths are, however, continues to remain constrained by proprietorship nature of constitution, moderate scale of operation with exposure to geographical concentration risk, highly competitive industry coupled with business risk associated with tender-based orders and working capital intensive nature of its operations marked by high receivables.

Rating Sensitivities

Upward factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and debt protection metrics.
- Sustenance of the capital structure
- Improvement in receivable period and improvement in liquidity

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators
- Elongation in receivable period impacting the liquidity
- Moderation in overall gearing to more than 1.5 times



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Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Experienced proprietor**

Mr. Neel Prakash Chhetri has vast experience in vocational training and computer equipment supply business. Mr. Chhetri is at the helm of affairs of the entity along with a group of experienced and adequately qualified personnel who are in various positions of the entity.

- **Long and successful track record**

The entity started its business operation from 1995 in Gangtok (Sikkim), thus, enjoying over two decades of successful operational record of accomplishment. During this long tenure, the entity gradually diversified its service portfolio in vocational training, skill building, IT services, computer equipment supplies and tourism sector.

- **Reputed clientele resulting in low counter party risk**

Since inception, the entity is engaged in providing vocational training and supply of computer peripherals to various departments and educational institutes under the Government of Sikkim. The entity is a Government empanelled service provider in various states like, Sikkim, Assam, West Bengal and Tripura for such services. Being a government empanelled service provider, its counter party risk remained low.

- **Diversified segment portfolio**

The entity earns its operating revenue from broadly three segments like, Revenue from Educational Service, Revenue from Hardware Equipment & Other Supply and Revenue from IT & Software services. Having revenue from multiple segments imparts comfort. This apart, under the same management, there are several other businesses like – NSDC certified skill development training centre, a partnership firm for executing education and training projects in the states of Assam, West Bengal and Tripura and an IT solution provider concern for e-governance projects and tourism IT support. SIBG enjoys synergy benefits on the back of having various entities owned by its proprietor engaged with various state governments.

- **Strong profitability along with satisfactory order book position indicating a strong near to medium term revenue visibility.**



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The operating performance of the entity remained more or less stable with moderation in its total operating income (TOI) by ~12% mainly due to lower execution of its orders in March, 2020 amidst Covid pandemic situation in the country and consequent lock down. However, despite contraction in TOI, the profit margins of the entity witnessed improvement driven by proportionate increase in revenue from education service segment in the overall revenue profile. Accordingly, the EBITDA margin and PAT margin has improved to 15.32% and 14.14% respectively in FY20. Further, the entity has a strong revenue visibility on the back of its healthy order book of Rs.890.15 crore as on Jan 31, 2021 which is to be executed within next five years. During FY21, Sibin Group has achieved a prestigious project of Construction & Management of Centre of Excellence under Dept of Education, Government of Sikkim, amounting Rs.800 crore. The project will start from March 2021 and will be completed by FY26.

- **Satisfactory financial risk profile marked comfortable capital structure and satisfactory debt coverage indicators**

The financial risk profile of the entity continued to remain satisfactory marked by its comfortable capital structure with no long-term debts in the debt profile. Further, the overall gearing ratio and TOL/TNW remained comfortable at 0.11x and 0.30x respectively as on March 31, 2020. The entity has earned a gross cash accrual (GCA) of Rs.11.16 crore in FY20 (Rs.12.42 crore in FY19). With a comfortable capital structure and strong GCA, the debt protection metrics marked by the interest coverage ratio and Total debt to GCA continued to remain strong at 13.89x and 0.48 years respectively in FY20. Infomerics expects that the financial risk profile of the entity will continue to remain healthy in the near term.

Key Rating Weaknesses

- **Proprietorship nature of constitution**

SIBG, being a proprietorship entity, is exposed to inherent risk of proprietor's capital being withdrawn at the time of personal contingency and entity being dissolved upon the death/retirement/insolvency of the proprietor. Furthermore, proprietorship entities have restricted access to external borrowing, as credit worthiness of proprietor would be the key factors affecting credit decision for the lenders.



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- **Moderate scale of operation with exposure to geographical concentration risk**

SIBG is relatively a moderate player with total operating income of Rs.78.52 crore and PAT of Rs.11.11 crore, respectively, in FY20. The moderate scale restricts the financial flexibility of the entity in times of stress. Further, the order book of the entity comprises orders mainly from the government of Sikkim only, which indicates a geographical revenue concentration risk.

- **Highly competitive industry coupled with business risk associated with tender-based orders**

Vocational training and computer peripheral supply industry is very competitive and mostly unorganised in India. SIBG faces direct competition from many players in the domestic market. There are various players catering to the same market, which leads to limit the bargaining power of the entity and consequent pressure on its margins. Though the entity is empanelled for various Government agencies for vocational training and IT needs, but the orders are majorly awarded through the tender-based system. The growth of the business depends on its ability to successfully bid for the tenders and appear as the lowest bidder. Any changes in the government policy and spending on projects are likely to affect the revenues of the entity.

- **Working capital intensive nature of operations and high receivables**

The operation of the entity is working capital intensive. The entity raises bills after the completion of work contract. The entity allows credit period of up to 90 days. The entity's client base is majorly government entities, where in the payments is elongated owing to procedural delays. Further, a large part of its contracts is generally executed in the last quarter, which results in high receivable in the year-end. The average collection period elongated to 190 days for FY20 for 127 days in FY19. However, sharp rise was mainly due to lockdown situations the in the country in March end, 2020. To manage its working capital needs the entity generally makes payment to the creditors as and when the payments are realized. The procurement remains majority contract backed. Therefore, the entity maintains minimal inventory in form of work in process for the work under execution. During FY20,



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inventory period has increased due to undistributed supplies like computer peripherals etc, which was ordered in the last month of financial year. However, during FY20, the creditors period has increased as the payment was due to some suppliers because of delay in payment from Government in the last month of the financial year. During last 12 months ending on January 2021, average utilisation of bank borrowing was satisfactory around ~58%.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity profile of SBIG is expected to remain adequate marked by its expected satisfactory cash accrual vis a- vis its nil debt repayment obligations in FY21. Further, the entity has no planned capex or availment of long-term debt, which imparts comfort. During last 12 months ending on January 2021, average utilisation of bank borrowing was around ~58% indicating an adequate liquidity buffer. However, the liquidity profile is restricted due to its working capital-intensive nature of operations.

About the Entity

Sibin Group (SIBG) has started its operation from 1995 as a proprietorship entity by one Mr Neel Prakash Chhetri of Gangtok, Sikkim. Since inception, the entity is engaged into providing volitional training, installing IT infrastructure and supply of computer equipment & peripherals. The entity provides such services to Government of Sikkim. This apart, under the same management, there are several other businesses like – NSDC certified skill development training centre, a partnership firm for executing education and training projects in the states of Assam, West Bengal and Tripura and an IT solution provider for e-governance projects and tourism IT support. Mr. Neel Prakash Chhetri, proprietor, along with a team of experience personnel, looks after day-to-day affairs of the entity.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2019	31-03-2020
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	Audited	Audited
Total Operating Income	89.14	78.52
EBITDA	12.65	12.03
PAT	12.37	11.11
Total Debt	5.72	5.33
Tangible Net worth	38.31	48.28
EBITDA Margin (%)	14.19	15.32
PAT Margin (%)	13.84	14.14
Overall Gearing Ratio (x)	0.15	0.11

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Cash Credit (including proposed CC of Rs.5.50 crore)	Long Term	25.00	IVR BBB- / Stable	IVR BBB- / Stable (March 26, 2020)	-	-

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually



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gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit (including proposed CC of Rs.5.50 crore)	-	-	-	25.00	IVR BBB-/Stable