



Press Release

Speco Infrastructure

October 11, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 23.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB** (**read as ACUITE double B**) and short term rating of '**ACUITE A4+** (**read as ACUITE A four plus**) to the Rs. 23.00 crore bank facilities of SPECO INFRASTRUCTURE (SI). The outlook is '**Stable**'.

The Mumbai-based, (SI) was established as a partnership firm in 2005. SI is engaged in construction of roads buildings and sewage systems for government bodies. SI is promoted by the Shah Parikh and Wadhwani families.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of Saket Infraprojects Limited, RPS Infraprojects Private Limited, Priti construction Shah & Parikh and Speco Infrastructure together referred to as the 'RPS Group' to arrive at the rating. The consolidation is in view of the similarities in the lines of business, operational and financial synergies and common management.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**
- The day to day operations of the RPS group are managed by the third generation of Shah Parikh and Wadhwani families. The group has established track record of operations in the civil construction business. This has helped in developing good insight about the industry and has developed healthy customers and suppliers relations. RPS group has executed projects for Kalyan Municipal Corporation, Nagpur Municipal Corporation, Thane Municipal Corporation, Maharashtra State Road Development Corporation Limited, Municipal Corporation of Greater Mumbai to name a few. All these departments being a government entity counter-party default risk remains minimal. The Group has executed various projects such as Bandra-Worli Sea Link Road (under a JV), Airport Road, Metro Junctions to name a few.

- **Healthy order book position**

The Group registered operating income of Rs.599.07 crore in FY2018 (Provisional) as against Rs.355.70 crore in FY2017. Moreover, the group has an order book position of ~Rs.1861.51 crore to be completed by FY2020 which gives the revenue visibility over the medium term.

- **Healthy financial risk profile**

RPS Group has a healthy financial risk profile marked by tangible net worth of Rs. 371.64 crore as on 31 March, 2018 (Provisional) (includes quasi capital of Rs.59.49 crore) as against Rs. 319.16 crore as on 31 March, 2017. The gearing stood at 0.28 times as on 31 March, 2018 (Provisional) as against 0.31 times as on 31 March, 2017. Interest Coverage Ratio (ICR) stood at 5.74 times for FY2018 (Provisional) as against 3.08 times for FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.98

times as on 31 March, 2018 (Provisional) as against 1.05 times as on 31 March, 2017. The DSCR of the Group stood at 3.01 times for FY2018 (Provisional) as against 1.45 times for FY2017. The Net Cash Accruals for FY2018 (Provisional) stood at Rs.55.60 crore against a debt obligation of Rs.5.97 crore. Going forward, Acuité expects the financial risk profile to improve marginally in absence of major debt funded capex plans.

Weaknesses

• Weak working capital management

The group has a weak working capital management marked by Gross Current Assets (GCA) of 299 days in FY2018 (Provisional) as compared to 457 days in FY2017. The GCA days are high on account of high debtor and inventory days. Debtor days stood at 178 days in FY2018 (Provisional) as against 242 days in FY2017. Inventory days stood at 85 days in FY2018 (Provisional) as against 198 days in FY2017.

• Highly competitive landscape

The company is engaged as a civil works contractor which is presently marked by presence of several mid to big size players. The risk becomes more pronounced as tendering is based on minimum amount of bidding of contracts. However this risk is mitigated by the firm's established track record and experience.

Outlook: Stable

Acuité believes RPS Group will maintain a 'stable' business risk profile over the medium term. The Group will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenues while achieving sustained improvement in operating margins capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the revenues or profit margins or in case of deterioration in the financial risk profile and liquidity position.

About the Group

RPS Group includes Saket Infraprojects Limited, Priti Construction, RPS Infraprojects Private Limited, Shah & Parikh and Speco Infrastructure. They all are mainly engaged in civil construction projects predominantly related to road construction, storm water drainage, and hydraulic engineering for government bodies. The group is promoted by Shah Parikh and Wadhwani families.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	542.94	309.61	561.83
EBITDA	Rs. Cr.	86.62	60.03	101.23
PAT	Rs. Cr.	43.74	23.39	41.09
EBITDA Margin	(%)	15.95	19.39	18.02
PAT Margin	(%)	8.06	7.56	7.31
ROCE	(%)	18.74	14.27	24.20
Total Debt/Tangible Net Worth	Times	0.28	0.31	0.44
PBDIT/Interest	Times	5.74	3.05	4.37
Total Debt/PBDIT	Times	1.11	1.45	1.16
Gross Current Assets (Days)	Days	299	457	227

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

As per MCGM circular dated 1st March, 2018, M/s RPS Infraprojects Pvt. Ltd. was issued a show cause notice on 16th May, 2018 and 22nd March, 2018 and subsequently blacklisted for a period of 7 years along with directors, Nitin Rajmal Shah and Ketan Rajmal Shah from 30.03.2017 vide order no. Dir/ES&P/494/CONF dated 30.03.2017. Further, in the same circular, M/s Priti Construction was issued a show cause notice on 22nd March, 2017 and the firm's registration with MCGM is suspended pending final outcome of Show Cause Notices.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4+

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About Acuité Ratings & Research:

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