Press Release

Speco Infrastructure

December 30, 2020

Rating Withdrawn

Total Bank Facilities Rated*	Rs.23.00 Cr.
Long Term Rating	ACUITE BB- (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

** Refer Annexure for details*

Rating Rationale

Acuité has withdrawn the long term rating of **'ACUITE BB-' (read as 'ACUITE double B minus')** and short term rating of **'ACUITE A4+' (read as 'ACUITE A4 plus')** on the Rs.23.00Cr bank facilities of SPECO INFRASTRUCTURE (SI).

The rating is being withdrawn on account of request received from the company and NOC received from the banker and is in accordance with Acuité's policy on withdrawal of rating.

About the Company

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 Wadhwan families.

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 Wadhwan 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 Wadhwan 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 Muncipal Corporation, Nagpur Muncipal Corporation, Thane Muncipal Corporation, Maharashtra State Road Development Corporation Limited, Muncipal 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 Financial Risk Profile**

RPS group's financial risk profile is healthy marked by strong net worth, low gearing and comfortable debt protection metrics. The net worth of the group stood at Rs.402.21Cr (Prov.) as on March 31, 2020 as against Rs.348.03Cr as on March 31, 2019. The group has followed conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 0.49times (Prov.) and 1.63 times (Prov.) respectively as on March 31, 2018. The gearing stood at 0.34 times (Prov.) as on March 31, 2020. The group generated cash accruals of Rs.60.57Cr (Prov.) in FY2020.

The revenue of the group has increased by around 7.04 percent to Rs.593.81Cr (Prov.) in FY2020 as against Rs.554.77Cr in FY2019. EBITDA in absolute term has improved to Rs.72.72Cr (Prov.) in FY2020 from Rs.66.72Cr in FY2019. The group registered a profit of Rs.50.12Cr (Prov.) FY2020. The operating margins have increased to 12.25 percent (Prov.) in FY2020 as against 12.03 percent in FY2019. The interest coverage ratio stood at 5.49 times (Prov.) in FY2020 as against 5.54 times respectively in FY2019. The debt service coverage ratio has improved to 3.39 times (Prov.) in FY2020 from 2.83 times in FY2019.

Weaknesses

- **Highly Competitive Landscape**

The group 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 group's established track record and experience.

- **Working Capital operation is intensive in nature**

The group's working capital operation is intensive in nature marked by Gross Current Assets (GCA) of 433 days (Prov.) in FY2020 as compared to 413 days in FY2019. Debtor days stood at 170 days (Prov.) in FY2020 as against 153 days in FY2019. The creditor period stood at 139 days (Prov.) in FY2020 as against 109 days in FY2019.

Liquidity Position: Adequate

RPS group has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.60.57Cr (Prov.) for FY2020 as against its debt repayment obligations of Rs.7.82Cr for the same period. The company's working capital operations are intensive marked by Gross Current Asset (GCA) days of 433 (Prov.) for FY2020. The group maintains unencumbered cash and bank balances of Rs.21.28crore (Prov.) as on 31 March 2020. The current ratio stood at 2.07times (Prov.) as on 31 March 2020. Acuitè believes that the liquidity of the company is likely to remain adequate on account of adequate cash accrual against debt repayments over the medium term.

Rating Sensitivities

- Any deterioration in the working capital cycle

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	593.81	554.77
PAT	Rs. Cr.	50.12	45.86
PAT Margin	(%)	8.44	8.27
Total Debt/Tangible Net Worth	Times	0.34	0.40
PBDIT/Interest	Times	5.49	5.54

Note: *The consolidated financials that are taken into consideration is without the knock-off since we did not receive the related party transaction.*

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

None

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 Mr. Nitin Rajmal Shah and Mr. 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. However, the blacklisting for RIPL has been withdrawn by MCGM, while blacklisting for Priti Construction is continued and the matter is under sub-judice.

Any Material Covenants

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Infrastructure Entities - https://www.acuite.in/view-rating-criteria-51.htm
- Financial ratios and Adjustments- https://www.acuite.in/view-rating-criteria-53.htm
- Consolidation of Companies- https://www.acuite.in/view-rating-criteria-60.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Dec-2019	Cash Credit	Long Term	3.00	ACUITE BB- (Downgraded from ACUITE BB/Stable) Issuer Not Co-Operating*
	Bank Guarantee	Short Term	20.00	ACUITE A4+ Issuer Not Co-Operating*
11-Oct-2018	Cash Credit	Long Term	3.00	ACUITE BB/Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A4+ (Assigned)

*The issuer did not co-operate; based on best available information

***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- (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4+ (Withdrawn)

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About Acuité Ratings & Research:
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