

Press Release

SPG Infraprojects Private Limited

November 17, 2020

Rating assigned



Total Bank Facilities Rated	Rs. 30.00 crore
Long Term Rating	ACUITE BBB-/Stable(Assigned)
Short Term Rating	ACUITE A3 (Assigned)

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB- (read as ACUITE triple B minus)**' and the short term rating of '**ACUITE A3 (read as ACUITE A three)**' on the Rs.30.00 crore bank facilities of SPG Infraprojects Private Limited (SPG). The outlook is '**Stable**'.

SPG Infraprojects Pvt Ltd (SPG) was established in 1951 as a Delhi based proprietary concern named M/s Shripal Goel and changed its constitution in 2012, into a private limited company under the current name. The company is engaged in civil construction work for Public Works Department (PWD) of NCR Delhi, Noida, Greater Noida, Yamuna Expressway Industrial Development Authority, UP Avas Eevam Vikas Nigam Ltd, Ghaziabad Development Authority, Ansal Housing along with Uttar Pradesh Rajkiya Nirman Nigam Limited (UPRNNL) and Pashchimanchal Vidyut Vitran Nigam Ltd (PVVNL). The company is a registered Class IAA contractor with PWD and Northern and North Western Railway (NFR). Currently, the company is managed by the directors Mr. Ashok Kumar Goel, Mr. Kamal Kant Goel, Mr. Kunal Jain and Mr. Varun Goel.

Analytical Approach

Acuité has considered the standalone business and risk profile of SPG to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management and established track record of operations**

The company started its operations from 1951. The directors of SPG, Mr. Ashok Kumar Goel and Mr. Kamal Kant Goel have more than four decades of experience in the field of civil construction. The other directors Mr. Kunal Jain and Mr. Varun Goel have more than 15 years of experience in civil construction work. Acuité believes going forward, that SPG'S long established market presence and their promoters' expertise in project execution will help to secure fresh orders.

- Comfortable financial risk profile**

The financial risk profile of the company is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood at Rs.30.56 crores as on 31 March, 2020 (Provisional) as against Rs.22.58 crores as on 31st March, 2019. Acuité has considered unsecured loans of Rs.8.04 crores as on March 31, 2020 (provisional), as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. The gearing (debt-equity) stood comfortable at 0.50 times in FY2020 (Provisional) as compared to 0.49 times as on March 31, 2019. The total debt of Rs. 12.23 crores as on March 31, 2020 (Provisional) consists of mainly short term borrowings of Rs.10.78 crores, unsecured loans of Rs.2.94 crores and term loan of Rs.1.02 crores. The healthy debt protection metrics of the company is marked by the interest coverage ratio (ICR) stood healthy at 2.61 times in FY2020 (Provisional) as compared to 1.83 times in FY2019. The NCA/TD stood at 0.35 times in FY2020 (Provisional). Acuité believes that going forward the financial risk profile of the company will remain comfortable in the absence of any major debt-funded capex plans in the medium term.

- Healthy order book position**

The company is currently executing orders for government entities including Public Works Department (PWD)

of the Government of Uttar Pradesh and Delhi and Northern and Northern and North Western Railway. Orders amounting to Rs.220.36 crore are expected to be completed in the next two-three years, thereby providing adequate revenue visibility in the medium term. Acuité believes that the increased focus on projects from central government agencies such as PWD and NFR will benefit SPG over the medium term.

Weaknesses

- **Working capital intensive operations**

The working capital management of the company is intensive marked by high Gross Current Assets (GCA) of 216 days in FY2020 (Provisional) as compared to 686 days in FY2019. The high GCA days emanates from high other current assets of Rs.38.36 crores as on March 31, 2020(provisional) compared to Rs.12.36 crores as on March 31, 2019. The debtor period is comfortable at 21 days in FY2020 (Provisional) as compared to 59 days in FY2019. Further, the inventory holding is also comfortable at 77 days in FY2020 (Provisional) as compared to 412 days in FY2019. The high GCA days are on account of high current assets due to earnest money deposits & security deposits. Acuité believes that working capital management of the company will remain a key credit monitorable.

- **Competitive and fragmented industry**

The company is engaged in civil construction work for State Governments and Northern Railway and North Western Railway. The particular sector is marked by the presence of several mid to big size players. The company faces competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on the minimum amount of bidding of contracts. However, this risk is mitigated to an extent as the promoters have been operating in this environment for more than four decades.

Rating Sensitivity

- Improvement in the working capital operations
- Sustenance of financial risk profile

Material Covenants

None

Liquidity Profile: Adequate

SPG has adequate liquidity marked by moderate cash accruals of Rs.4.22 crores of to its maturing debt obligations of only Rs.0.42 crore in FY2020 (Provisional). The cash accruals of the company are estimated to remain in the range of around Rs. 4.31-5.73 crores during 2021-23 against estimated repayment obligation of around Rs.0.42 crore every year during FY 2021- 2023. The working capital limits remained utilized at an average of around 70 percent for 6 months ended September 2020. The company maintains unencumbered cash and bank balances of Rs.0.31 crore as on March 31, 2020 (Provisional). The company has availed COVID moratorium of Rs.1.25 crores. The current ratio stood at 2.89 times as on March 31, 2020 (Provisional) compared to 2.54 times as on March 31, 2019. However, the working capital operations of the firm are intensive marked by GCA (Gross Current Assets) Days of 216 days in FY 2020 (Provisional) as compared to 686 days in the previous year. Acuité believes that the liquidity of the company is likely to remain at similar levels over the medium term.

Outlook: Stable

Acuité believes that SPG will maintain a stable outlook over the medium term owing to its promoters' extensive experience and healthy order book position. The outlook may be revised to 'Positive' if the company registers more than expected revenues while improving its working capital operations. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenue or the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY20 (Prov)	FY19 (Actual)
Operating Income	Rs. Cr.	109.97	15.64
PAT	Rs. Cr.	3.68	0.47
PAT Margin	(%)	3.35	3.02
Total Debt/Tangible Net Worth	Times	0.50	0.49
PBDIT/Interest	Times	2.61	1.83

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

Not applicable

Any other information

Not Applicable

Applicable Criteria

- Infrastructure Entities – <https://www.acuite.in/view-rating-criteria-51.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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.) Crore	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE BBB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A3 (Assigned)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Shubham Ghosh Analyst - Rating Operations Tel: 033-66201212 shubham.ghosh@acuite.in	

About Acuité Ratings & Research:

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