

## Press Release

### SPG Infraprojects Private Limited

August 06, 2021



### Rating Reaffirmed & Assigned

<b>Total Bank Facilities Rated</b>	Rs. 56.00 crore
<b>Long Term Rating</b>	ACUITE BBB-/Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A3 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed 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)**' to the Rs. 56.00 crore bank facilities of SPG Infraprojects Private Limited. The outlook remains '**Stable**'.

The rating on SPG takes cognizance of company's moderate business risk profile marked by experienced promoters, healthy order book position, and continuous growth in the scale of operations. The rating also factors the long-standing experience of the promoters and long track record of operations has helped them to establish comfortable relationships with their key suppliers. These strengths are, however, partially constrained by the working capital intensity in its operations and competitive and fragmented nature of the industry.

### About the company

SPG Infraprojects Private Limited (SPG) was established in 1951 as a Delhi based proprietary concern named M/s Shripal Goel and change its constitution in 2012 into a private limited company. Currently, the company is managed by the directors Mr. Ashok Kumar Goel, Mr. Kamal Kant Goel, Mr. Kunal Jain and Mr. Varun Goel. The company is engaged in civil construction work for CPWD, PWD of NCR Delhi, Noida, Greater Noida, Yamuna Expressway Industrial Development Authority, UP Avas Evam Vikas Nigam Ltd, GDA (General Duty Assistant – Healthcare), Ansal Housing along with UPRNNL (Uttar Pradesh Rajkiya Nirman Nigam Limited) and PNVNL (Pashchimanchal Vidyut Vitran Nigam Ltd).

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SPG Infraprojects Pvt Ltd 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. Acuite believes going forward, that SPG'S long established market presence and their promoters' expertise in project execution will help to secure fresh orders.

- Healthy order book position**

The company is currently executing orders for government entities including Public Works Department (PWD) of the Government of Uttar Pradesh, Delhi, Northern and Northwestern Railway. Orders amounting to Rs. 459.39 crore are expected to be completed in the next two-three years, thereby providing adequate revenue visibility in the medium term. Acuite believes that the increased focus on projects from central government agencies such as PWD and NFR will benefit SPG over the medium term.

## • **Moderate Financial Risk Profile**

The company's moderate financial risk profile is marked by modest albeit improving networth, moderate gearing and healthy debt protection metrics. The net worth of the company stood at Rs.29.68 crores as on 31 March 2021 (Provisional) as against Rs.22.25 crores as on 31st March, 2020. The gearing stood moderate at 1.14 times as on March 31, 2021 (Provisional) as compared to 1.05 times as on March 31, 2020. The total debt of Rs. 33.86 crores as on March 31, 2021 (Provisional) consists of short-term borrowings of Rs.11.63 crores, term loan of Rs.2.11 crores and unsecured loan from directors of Rs 20.22 Cr. The healthy debt protection metrics of the company is marked by interest coverage ratio (ICR) at 2.27 times in FY2021 (Provisional) and Debt Service Coverage Ratio (DSCR) at 1.94 times in FY2021 (Provisional). The NCA/TD stood low at 0.11 times in FY2021 (Provisional). Acuite believes that going forward the financial risk profile of the company will remain at similar level in absence of any major debt funded capex plans in the medium term.

## **Weaknesses**

### • **Working capital intensive operations**

The working capital management of the company is marked by high Gross Current Assets (GCA) of 275 days in FY2021 (Provisional) as compared to 216 days in FY2020. The high GCA days emanates from high other current assets of Rs.71.72 crores as on March 31, 2021 (provisional) compared to Rs. 50.23 crores as on March 31, 2020. The high levels of current assets are on account of earnest money deposits & security deposits. Further, the debtor period stood high at 95 days as at March 31, 2021 (Provisional) compared to 24 days as on March 31, 2020, due to the inherent nature of business. However, the inventory holding is comfortable at 58 days as on March 31, FY2021 (Provisional) as compared to 88 days as on March 31, 2020. Acuite 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**

- Growth in revenue along with improvement in profitability margins
- Elongation in working capital cycle
- Reduction in Order flow

## **Material Covenants**

None

## **Liquidity position: Adequate**

The company has adequate liquidity position marked by sufficient cash accruals of Rs.3.76 crores as on March 31, 2021 (Provisional) as against its maturing debt obligations of Rs.0.10 crore over the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 3.5-5.5 crores during 2022-23 against estimated repayment obligation of around Rs.0.42 crore every year during FY 2022- 2023. The current ratio stood comfortable at 2.44 times as on March 31, 2021 (Provisional) compared to 2.04 times as on March 31, 2020. The fund-based limit remains utilised at 63 per cent over the twelve months ended May 2021. The company maintains unencumbered cash and bank balances of Rs.0.10 crore as on March 31, 2021 (Provisional). The company has availed loan moratorium and availed a Covid loan of Rs. 1.65 crores. However, the working capital-intensive operations of the firm are marked by high Gross Current Assets (GCA) Days of 275 days in FY 2021 (Provisional) as compared to 216 days in the previous year in FY 2020. Acuite believes that going forward the group will maintain adequate liquidity position due to steady accruals.

### Outlook: Stable

Acuite believes the company's outlook will remain stable over the medium term on account of vast experience of the promoters, long execution track record and healthy order book position. The outlook may be revised to 'Positive' in case the company 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 deterioration in the company's financial risk profile and liquidity position or delay in completion of its projects or further elongation in its working capital cycle.

### About the Rated Entity Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	95.16	84.72
PAT	Rs. Cr.	3.17	2.70
PAT Margin	(%)	3.34	3.19
Total Debt/Tangible Net Worth	Times	1.14	1.05
PBDIT/Interest	Times	2.27	2.56

### Status of non-cooperation with previous CRA

Not Applicable

**Any other information:** Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.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	Ratings/Outlook
			(Rs. Crore)	
17-11-2020	Cash Credit	Long term	9.50	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long term	1.50	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short term	2.50	ACUITE A3 (Assigned)
	Bank Guarantee	Short term	10.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short term	6.50	ACUITE A3 (Assigned)

### \*Annexure–Details of instruments rated

#### Instrument Information

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Lender Name	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.50	Punjab National Bank	ACUITE BBB-/Stable (Reaffirmed)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	HDFC Bank	ACUITE BBB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ICICI Bank	ACUITE BBB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	Yes Bank	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	Punjab National Bank	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	23.00	HDFC Bank	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ICICI Bank	ACUITE A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	Yes Bank	ACUITE A3 (Assigned)

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## About Acuité Ratings & Research

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