



Press Release
Subhash Infraengineers Private Limited
December 09, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	65.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	235.00	-	ACUITE A1 Assigned
Total Outstanding Quantum (Rs. Cr)	300.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating of '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.300 Cr. bank facilities of Subhash Infraengineers Private Limited (SIPL). The Outlook is '**Stable**'.

Rationale for Rating

The assigned rating factors in the healthy and improving scale of operations marked by an operating income of Rs.530.41 Cr. in FY2024 as against Rs.374.42 Cr. in FY2023. The assigned rating also positively factors in the experienced management in civil construction business, appointment of highly experienced professionals in the Board, leading to repeat orders. Additionally, the financial risk profile of the company remained healthy marked by gearing (D/E: 0.83 times as on March 31, 2024), adequate liquidity position and healthy order book position with unexecuted orders in hand of approximately Rs.2000.00 Cr. as on 31st October 2024, which will be executed in near to medium term. However, the above mentioned strengths are partly off-set by working capital intensive nature of operations of the company marked by high GCA days of 162 days in FY2024 on account of debtor collection period which stood at 81 days in FY2024. However, Acuite notes that the elongated receivable cycle is due to company usually awaits clearance of final bills for its completed projects. Acuite also considers the reputed client base consisting of government, thereby reducing the counter party risk. It also remains constrained by risk related to tender based nature of business, volatility in raw material prices and intense competition in the civil construction industry.

About the Company

Haryana based, Subhash Infraengineers Private Limited was originally established in 1996 as a partnership firm under the name Subhash Chander & Co. In 2009, the company was reconstituted into a private limited company, reflecting its growth and evolving business ambitions. Over the years, SIPL has established itself as a reliable player in the industrial construction sector, providing comprehensive services for a variety of infrastructure projects. The Company is engaged in construction of irrigation, highways & roads, railway, water/waste treatment, Commercial and Residential and Pipeline Projects. SIPL has executed prestigious projects for some of India's leading public sector entities, including MAHARATNA companies such as NTPC, BHEL, and NHPC, as well as various State and Central Government departments. The company directors are the Mr. Dilbag Singh Saini and Mr. Jasbir Saini.

Unsupported Rating

Not applicable.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and established track record of operations

The company has a long track record of over a decade in the civil construction business with an established track record of project execution related to construction of irrigation, highways & roads, railway, water/waste treatment, Commercial and Residential and Pipeline Projects on EPC basis. Currently the company is managed by the present directors of the company are Mr. Dilbag Singh Saini and Mr. Jasbir Saini. , who has been associated with this industry for over three decade. Acuite believes that going forward, the growth of the company will be aided by the long track record of operations and the management's strong understanding of market dynamics.

Improvement in the scale of operations

The company has clocked a revenue of Rs.530.41 Crore in FY24 against Rs.374.42 Crore in FY23. There is a 42% growth in revenue year-on-year. The significant increase in sales has been supported by the strong order book from key clients, including Delhi Jal Board, Rail Vikas Nigam Ltd, Bharat Heavy Electricals Limited (BHEL), and Damodar Valley Corporation. Further, the margins of the company have also improved on y-o-y basis. The EBITDA margins of the company stood at 9.16% in FY24 against 8.86% in FY23 and the PAT Margins of the company stood at 4.85% in FY24 against 4.68% in FY23. The company has already recorded sales of Rs. 210 Cr, reflecting a strong performance and positive momentum for the remainder of the year. Acuite believes that company will able to have better top-line in near to medium term supported by stable margins as compared to previous years on account of better order book.

Healthy Financial Risk Profile

The financial risk profile of the company is healthy marked by net-worth stood at Rs.113.71 Crore as on 31st March 2024 against Rs.88.32 Crore as on 31st March 2023. The increase in the net-worth is due to accumulation of profits into reserves. In addition, the gearing ratio of the company is also comfortable which is below unity and stood at 0.83 times in FY24 against 0.89 times in FY23. The coverage indicators of the company are also comfortable reflected by interest coverage ratio and debt service coverage ratio which stood at 4.83 times and 1.45 times in FY24 respectively against 5.12 times against 2.31 times in FY23 respectively. Also, the TOL/TNW ratio of the SIPL stood at 2.19 times in FY24 against 2.08 times in FY23. Acuite believes that financial risk profile of the company is expected to remain in the same range in the absence of any long term debt in near to medium term.

Healthy Order book

The company has robust order book which is diversified order in roads, railways, irrigation, sewage treatment plants and infrastructure projects which stands at over approximately Rs. 2,000 Cr. as on October 2024. This strong order book is largely comprised of prestigious projects from marquee clients such as Delhi Jal Board, Rail Vikas Nigam Ltd, Bharat Heavy Electricals Limited (BHEL), and Damodar Valley Corporation. With an order book four times the projected revenue, shows a strong revenue visibility over the medium term. Acuite believes that going forward, the ability of the company to bag new orders and timely execution of the existing orders will remain a key rating monitor able.

Weaknesses

Working Capital Intensive Operations

The working capital management of the company has improved in FY2024, although marked by high Gross Current Assets (GCA) of 162 days in 31st March 2024 as compared to 174 days on 31st March 2023 with increased efficiencies in inventory and debtor management. Besides, the project billing and delivery schedule for the material handling business is usually concentrated towards the end of every fiscal, Milestone-based billing along with extensive trials and testing carried out for technically critical products before the final acceptance also results in elongated receivables. Further, the debtor days stood at 81 days as on 31st March 2024 to 73 days as on 31st March 2023 given the preponderance of the government clients. However, the inventory days stood efficient at 50 days in FY2024 compared to 47 days in FY2023. Acuite believes that the working capital operations of the company will remain almost at the same levels as evident from efficient debtor and inventory levels over the medium term.

Highly Competitive Industry

The infrastructure is a fairly fragmented industry with a presence of few large pan India players where subcontracting & project specific partnerships for technical/financial reasons are fairly common. The company faces stiff competition with its competitors in procuring orders through bidding, immense competition for procuring tenders leads to very competitive pricing which in turn lead to stress on the margins. Moreover, susceptibility of raw material pricing again keeps profit margin vulnerable risk and key sensitivity factor. However, presence of price escalation clause prevents the company from exposure to raw material price fluctuations to some extent. Also, the vast experience of the promoters gives the company an edge in procuring big size ticket orders but the stability of the order size in diversified segment is the key sensitive factor.

Rating Sensitivities

- Movement in scale of operations and profitability margins.

- Working capital cycle
- Timely execution of its order book.
- Extent of exposure in related entities.

Liquidity Position

Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.33.67 Cr. as on March 31, 2024 as against long term debt repayment of Rs.19.77 Crore in the same period. Further, the company is expected to generate sufficient cash accruals over the medium term to repay its debt obligation. The current ratio stood moderate at 1.36 times as on March 31, 2024. The company has sizeable retention money with the authorities and timely receipt of these payments is crucial to support the liquidity position. As a result, the non-fund based limit remained moderately utilized at ~ 49.17 per cent over the twelve months ended Nov, 2024 and the fund based limit remained moderately utilized stood at ~80.97 per cent over the twelve months ended Nov, 2024. Moreover, the working capital intensive management of the company is marked by Gross Current Assets (GCA) of 162 days in 31st March 2024 as compared to 174 days in 31st March 2023. Acuité believes that going forward absence of any committed capital expenditure and term liabilities would further strengthen the liquidity profile of the company.

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	530.41	374.42
PAT	Rs. Cr.	25.73	17.52
PAT Margin	(%)	4.85	4.68
Total Debt/Tangible Net Worth	Times	0.83	0.89
PBDIT/Interest	Times	4.83	5.12

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

None

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	45.00	Simple	ACUITE A1 Assigned
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE A1 Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	95.00	Simple	ACUITE A1 Assigned
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE A1 Assigned
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A1 Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A- Stable Assigned
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A- Stable Assigned
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A1 Assigned
Punjab National Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A- Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Apr 2027	5.00	Simple	ACUITE A- Stable Assigned

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Depanshi Mittal Lead Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.