

Press Release

Saket Infraprojects Private Limited

February 05, 2020

Rating

Sr. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1	Long-Term Fund based (Cash Credit)	30.00	IVR BBB/ Stable Outlook; [IVR Triple B with Stable Outlook]
2	Long-Term/ Short-Term Non-Fund based (Bank Guarantee)	65.00	IVR BBB/ Stable Outlook/ A3+; [IVR Triple B with Stable Outlook/ IVR A Three Plus]
Total		95.00	

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from experienced promoters, reputed clientele, sufficient asset base, moderate scale of operations with healthy & stable operating profitability, improved gearing ratio, strong order book, strong liquidity. The rating however is constrained by customer & geographical concentration risk and competitive nature of the industry.

Key Rating Sensitivities:

- **Upward Rating Factor** - Growth in scale of operations with improvement in profitability on a sustained basis, sustenance of the capital structure and management of working capital requirement efficiently may lead to a positive rating action.
- **Downward Rating Factor** - Any deterioration in debt protection metrics and/ or liquidity profile may lead to a negative rating action.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters

Saket Infraprojects Private Limited [SIPL] (formerly known as Saket Infraprojects Limited) is a company incorporated on 1st August 2006. It has been promoted by Shah, Wadhawan & Parikh families. Mr. Jayantilal L. Shah is the Managing Director & has a rich experience of 40 years. Other Directors; Mr. Upendra N. Parikh & Mr. Vishal B. Wadhawan also have an experience of 43 years & 15 years respectively.

Reputed Clientele

The Company's reputed clients include L&T, MCGM, MSRDC, PWD, MMRDA, MHADA, MTNL, Indian railway Construction Co., Hindustan Construction Co., Shapoorji Pallonji & Co., Atlanta Ltd., Quality Heightcon Pvt. Ltd., J Kumar Infraprojects Ltd., Videocon Realty & Infrastructure Ltd., Shetushah Engineers & Constructors Pvt. Ltd. etc. & various others. Moreover, the company also works as a sub-contractor for other contractors and also enters into a Joint venture to secure the orders.

Sufficient Asset Base

The Company has over the years built up a strong asset base with sizeable asset addition every year. It has almost all the assets required to execute the current order book. Going forward also, it continues to add the plant & machinery required to execute the orders.

Moderate scale of operations with healthy & stable operating profitability

Over a period of last 3 years, the Company's total income from operations increased from INR ~134 Crore in FY17 to INR ~205 Crore in FY19, however it had increased significantly in FY18 to INR 230 Crore due to timely execution of certain time bound high value projects. The EBITDA margin has remained healthy & stable at 18.58% in FY18 & 18.77% in FY19. PAT stands at ~INR 20 Crore in FY18 & FY19. The PAT margin in FY18 was 8.65%, improved to 9.78% in FY19. The Company expects the revenue to increase in FY20, considering its performance of 6 months ended September-2019.

Improved Gearing ratio

The overall gearing ratio of the Company is comfortable & further improved from 0.55x as at FY18 to 0.39x as at FY19 due to repayment of loans & lower utilization of working capital limit. The Total outside liabilities to Tangible Net Worth of the Company has improved from 1.12x as at FY18 to 0.68x as at FY19. The interest coverage ratio stands strong at 7.18x in FY19. Total debt to GCA (in years) was 1.99x as at FY18, improved to 1.59x as at FY19.

Strong order book

As at December, 2019, the company had a healthy order book worth INR 1090 Crore; of which work completed worth INR 346 Crore, balance work to be completed is worth INR 744 Crore. The order book constitutes 5 times of FY19 Turnover.

Liquidity remained strong supported by working capital management

The current ratio & quick ratios of the firm remain comfortable as at March 31, 2019. The Company's cash flow from operation also remains adequate. The liquidity of the firm is expected to remain strong in the near to medium term in view of sufficient cash accruals in comparison to debt repayment. The Company's sanctioned working capital limit is minimal in comparison to the revenue, the average utilisation of the same remains at 37% in the last twelve months ended December 2019.

Key Rating Weaknesses

Customer & Geographical concentration risk

SIPL is exposed to geographical concentration risk with majority of the past projects executed being in Maharashtra. The Company's top ten customers accounted for around 87% of the total revenue in FY19, reflecting moderate customer concentration risk for the company.

Competitive nature of the industry

The civil construction industry is intensely competitive with many similar players taking part in the bidding process. Also, tender-based operations involve competitive bidding which may affect its profitability.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for Infrastructure companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity - Adequate

The Company has been earning a comfortable level of GCA for the last few years and the same is expected to increase further with an increase in scale of operations. The company maintains moderate cash and bank balance to meet its liquidity requirements. The average utilization of working capital limits remained low and comfortable at 37% during the 12 months ended December 31, 2019. The Current & Quick ratio stood comfortable at 2.66x &

2.48x in FY19 respectively. Overall the liquidity position of the company is expected to be Adequate.

About the company

Saket Infraprojects Private Limited [SIPL] (formerly known as Saket Infraprojects Limited) is a company incorporated on 1st August 2006 under the Companies Act, 1956. It is a vertically integrated construction company engaged in building construction and civil engineering operations as well as other peripheral operations such as supplies of ready mix concrete (RMC) and asphalt mix, foundation works with rotary piling, site investigations, highways and bridge construction. The company has well recognized and acknowledged presence in infrastructure development. The company was incorporated to take over Saket Engineering Construction Company, a partnership firm which has been in the business of Infrastructure Projects since 1998. The Company was converted from Public Limited to Private Limited w.e.f. 02-May-2019.

Financials (Standalone)

	INR in Crore	
For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	229.53	205.48
EBITDA	42.64	38.57
PAT	19.99	20.54
Total Debt	54.40	46.49
Tangible Net Worth	99.57	120.00
EBIDTA Margin (%)	18.58	18.77
PAT Margin (%)	8.65	9.78
Overall Gearing ratio (x)	0.55	0.39

* Classification as per Infomerics' standards

Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year: 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (INR Crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities (Long-Term)	Cash Credit	30.00	IVR BBB/ Stable Outlook	--	--	--
Non-Fund Facilities (Long-Term/Short-Term)	Bank Guarantee	65.00	IVR BBB/ Stable Outlook/ A3+	--	--	--
	Total	95.00				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Fund Based Cash Credit	--	--	--	30.00	IVR BBB/ Stable Outlook
2	Non-Fund Based Bank Guarantee	--	--	--	65.00	IVR BBB/ Stable Outlook/ A3+
Total					95.00	