

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Simplex Infrastructures Ltd

December 16, 2019

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Fund Based Facility	2600.00	IVR C (IVR Single C)	Downgraded from IVR A/Stable (IVR single A with stable outlook)
Commercial Paper #	650.00	IVR A4 (IVR A four)	Downgraded from IVR A1+ (IVR A one plus)
Short Term Fund Based Facilities	75.00	IVR A4 (IVR A four)	Downgraded from IVR A1 (IVR A one)
Total	3325.00		

to be earmarked out of tied up fund based working capital limits

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in ratings is due to recent delays in servicing its obligation in non-convertible debentures (facilities not rated by Infomerics). Infomerics has received the information from publicly available data. Further, Infomerics notices significant stretch in its liquidity marked by elongated receivable position and full utilisation of its bank facilities.

Key Rating Sensitivities

- Upward Rating Factor- Improvement in liquidity, timely servicing of debt.
- Downward Rating Factor- Instances of irregularity in bank facilities.

List of Key Rating Drivers with detailed description

Key Rating Strengths

Long & established presence in the construction sector

Incorporated in 1924, the company has a long track record of nearly ten decades in the construction industry. The current promoter family has been managing the company since 1947. Since inception, the company has completed a large number of construction projects. The current promoter family is well known in civil construction business.

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Key Rating Weaknesses

Stretched liquidity amidst elongated receivable position

Infomerics notices recent delays in servicing its obligation in non-convertible debentures (facilities not rated by Infomerics). Infomerics has received the information from publicly available data. Further, Infomerics notices significant stretch in its liquidity which is marked by delay in debtor's realization and full utilisation of its bank facilities. The stretch in liquidity is due to elevation in debtors level to Rs.6,566.00 crore as on September 30, 2019 from Rs.6,308.83 crore as on March 31, 2019. The ability of the company to receive the same in timely manner is a key rating monitorable.

Highly fragmented & competitive nature of the construction sector with significant price war

The domestic construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in mushrooming increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the sustenance and healthy growth of the industry.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Infrastructure Companies

Financial Ratios and Interpretation (Non-financial sector)

Liquidity: Poor

The liquidity profile is poor on account of high receivable position. The debtors level elevated to Rs.6,566.00 crore as on September 30, 2019 from Rs.6,308.83 crore as on March 31, 2019 (debtors includes unbilled revenue balance, trade receivables and retention money of the company). Further, the stretch liquidity position resulted in full utilisation of its bank limits.

About the Company

Simplex Infrastructures Ltd. was established by Mr. H. P. Lancaster, an Englishman, in 1924. It was he who invented the piling system which became synonymous with the name of the company and became known as the 'Simplex' system of piling. Simplex was subsequently taken over by the Mundhra family of Kolkata, the current promoters, in 1947. The current

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promoters are solely focused on this business for almost seven decades. Simplex is one of the largest players in the domestic construction sector providing services encompassing the whole gamut of civil and structural construction activities including turnkey projects comprising layout plan, detailed civil and engineering design, architecture, structural construction and complete execution and commissioning.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	5754.62	6028.34
EBITDA	668.91	710.33
PAT	94.12	122.56
Total Debt	3494.98	3357.33
Tangible Net worth	1598.83	2007.69
EBITDA Margin (%)	11.62	11.78
PAT Margin (%)	1.60	2.00
Overall Gearing Ratio (x)	2.19	1.67

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Bank Facilities	Long Term	2600.00	IVR C	IVR A/Stable	-	-
2.	Commercial Paper	Short Term	650.00	IVR A4	IVR A1+	IVR A1+	IVR A1+
3.	Short Term Fund Based Facilities	Short Term	75.00	IVR A4	IVR A1	IVR A1	-

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities	-	-	-	2600.00	IVR C
Commercial Paper	-	-	-	650.00*	IVR A4
Short Term Fund Based Facilities	-	-	-	75.00	IVR A4

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