



## Press Release

### SPG Infraprojects Private Limited

July 18, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	49.00	IVR BBB/ Stable (IVR Triple B; with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	3.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
<b>Total</b>	<b>52.00</b>	<b>Rupees Fifty Two Crores Only</b>		

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long-term rating of IVR BBB with a Stable outlook and short-term rating of IVR A3+ for the bank loan facilities of SPG Infraprojects Private Limited (SIPL).

The rating draws comfort from the established track record of operations and experienced management, reputed clientele, healthy order book, continuous funding support from promoters and improved financial risk profile during FY2022 (Provisionals). However, these strengths are partially offset by tender based nature of business and susceptibility of operating margin to volatile input prices.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes SIPL's business risk profile will be maintained over the medium term as it has reputed clientele and healthy order book position which provides revenue visibility. The industry outlook is also improving led by the government of India making steady progress in infrastructure growth and development.

IVR has principally relied on the standalone audited financial results of SIPL upto 31 March 2021, FY2022 provisional certified results and projected financials for FY2023, FY2024 and FY2025, and publicly available information/ clarifications provided by the company's management.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial improvement in the scale of operations and EBITDA margins above 11%
- Improvement in debt protection metrics
- Sustenance of the overall gearing



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### Downward Factors

- Significant reduction in the scale of operations and profitability margins,
- Deterioration in debt protection metrics and overall gearing

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Established track record of operations and experienced management:**  
The company commenced its operations in 2012 and has a successful track record of around a decade in the existing line of business. Overall activities of SIPL are managed by five directors. The directors are ably supported by qualified and well experienced management team. Over the years they have built strong relationships with customers and suppliers.
- **Demonstrated track record with proven project execution capability:**  
SIPL has long track record of more than a decade in EPC segment. Over the years of its operation the company has gradually established its credentials and successfully executed many projects. In order to manage the projects in a better way and to grow in a balanced way, the company has a policy to take up short to medium term projects (12-36 months) and handle limited number of projects at a time to ensure timely completion. The repeat orders received from its clientele validate its construction capabilities.
- **Reputed clientele:**  
The company is dealing with government and private clients namely Public Welfare Department (PWD), Northern Railways, Uttar Pradesh Rajkiya Nirman Nigam (UPRNN), Bridge and Roof Company India Limited (BRCIL), NBCC Limited (NBCC), HSCC India Limited (HIL) and National Highways and Infrastructure Development Corporation (NHIDC) etc. The company has been associated with most of the key clients for a long time, and the successful execution of the projects has also helped it in getting repeat orders. Due to reputed client profiles, the company has low counterparty credit risk although at times, there can be delays in the realization of some bills.
- **Continuous funding support from the promoters:**  
The company enjoys access to financial support from promoters, who infused interest bearing unsecured loans (Rs. 20.74 crore) in FY2022 to help company meet its working capital requirement. The company rely less on bank borrowings and more on promoter funds. The promoters have given a guidance of continuation of funding support, going forward as well.



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- **Improved financial risk profile:**

The analyzed tangible network worth improved to Rs. 43.29 crore in FY2022 (Provisional) from Rs. 37.25 crore in FY2021 (Considering interest free unsecured loan of Rs. 8.43 crore as part of quasi equity). The total operating income (TOI) improved by ~80.55% to Rs. 170.49 crore in FY2022 (Provisional) from Rs. 94.43 crore in FY2021. The operating profit and net profit improved to Rs. 12.11 crore and Rs. 6.03 crore respectively, in FY2022 (Provisional) as compared to Rs. 6.82 crore and Rs. 2.51 crore respectively in FY2021. The interest service coverage ratio (ISCR) and debt service coverage ratio (DSCR) improved to 3.08x and 2.65x respectively in FY2022 (Provisional) as compared to 2.41x and 2.28x respectively in FY2021. Analyzed gearing stood at 0.43x in FY2022 (Provisional).

- **Healthy order book:**

The company has a healthy unexecuted order book position to the tune of about Rs 593.02 crore which is to be executed by FY2024, thereby providing a moderate revenue visibility for FY2023 and FY2024.

### Key Rating Weaknesses

- **Tender based nature of business:**

The company is mostly getting its orders through tenders floated by various government departments. As the infrastructure industry is highly fragmented due to presence of many organized and unorganized players tender driven nature of business leads to volatility in revenue and profitability. Further, being in infrastructure segment the company is exposed to inherent risks associated in this industry like slowdown in new order inflows, risks of delays in execution etc.

- **Susceptibility of operating margin to volatile input prices:**

The company's operating margins are susceptible to volatility in prices of raw materials, although the same risk has been mitigated to some extent with the presence of price escalation clause.

**Analytical Approach:** For arriving at the ratings, IVR has analysed SIPL's credit profile by considering the standalone financial statements of the company.

### Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)



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### **Liquidity – Adequate**

The company has an adequate liquidity position. There are long-term secured borrowings from banks, amounting to Rs. 3.66 crore, as on 31 March 2022. Against a current portion of long-term debt (CPLTD) of Rs 0.88 crore in FY2022, the company had a cash accrual of Rs. 7.13 crore in FY2022. The company projected to generate cash accruals of Rs. 8.37 crore in FY2023 against a CPLTD of Rs. 1.86 crore. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.

### **About the Company**

SPG Infraprojects Private Limited (SIPL) was originally established as a partnership concern (M/s Shirpal Goel) in the year 1962 to carry out various civil construction contracts and later in 2012, the partnership concern was taken over in continuity by SIPL. It is currently managed by directors namely Mr. Ashok Kumar Goel, Mr. Varun Goel, Mr. Kunal Jain, Mr. Mukul Jain and Mr. Rahul Chauhan. The company is engaged in the construction of civil, electrical, commercial, road and railway development projects for both private organizations and government departments. It currently operates in Delhi, Uttar Pradesh, Maharashtra, Rajasthan, Haryana and Uttarakhand.

### **Financials (Standalone):**

<b>(Rs. crore)</b>		
<b>For the year ended as on</b>	<b>31-03-2021</b>	<b>31-03-2022</b>
	<b>Audited</b>	<b>Provisional</b>
Total Operating Income	94.43	170.49
EBITDA	6.82	12.11
PAT	2.51	6.03
Total Debt	24.43	48.32
Analyzed Tangible Network	37.25	43.29
EBITDA Margin (%)	7.22	7.10
PAT Margin (%)	2.64	3.52
Overall Analyzed Gearing Ratio (x)	0.42	0.43

**Status of non-cooperation with previous CRA:** BWR BB-/Stable/A4 (ISSUER NOT COOPERATING) as on 30-June-2022.

**Any other information:** Not Applicable



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### Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based	Long Term	5.00	IVR BBB/Stable (Assigned)	-	-	-
2.	Fund Based	Short Term	3.00	IVR A3+ (Assigned)			
3.	Non-Fund Based	Long Term	44.00	IVR BBB/Stable (Assigned)	-	-	-

### Name and Contact Details of the Rating Analyst:

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

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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
Overdraft	-	-	-	3.00	IVR A3+
Bank Guarantee*	-	-	-	44.00	IVR BBB/Stable
Cash Credit	-	-	-	5.00	IVR BBB/Stable

\*BG Tenor is more than 12 months.

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-SPG-Infraprojects-july22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**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 [Complexity Level of Rated Instruments/Facilities](#).