



Press Release

Sincon Infrastructure Private Limited

August 10, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	5.20	IVR BB+/ Stable (IVR double B plus with Stable Outlook)	Assigned
Short Term Bank Facility	14.00	IVR A4+ (IVR A four plus)	Assigned
Total	19.20 (Nineteen crore and twenty lakh)		

Details of facilities are in Annexure 1

Detailed Rationale

The ratings assigned to bank facilities of Sincon Infrastructure Private Limited (SIPL) considers experienced promoters with established track record of operations, comfortable capital structure and debt protection metrics, and healthy order book providing revenue visibility. However, rating is constrained on account of small scale of operations, high client and geographical concentration risks and fragmented and highly competitive nature of the industry.

Key Rating Sensitivities:

Upward Factor:

- Timely execution of pending orders, which will lead to a sustained growth in its top line along with cash accruals.

Downward Factor:

- Delay in order execution leads to a significant decline in its revenue and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.



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Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Experienced promoters with established track record of operations**

The company was incorporated in 1989. The company is engaged in civil construction business for more than three decades. Long experience of SIPL's promoters and its established track record of operations strengthens the operational risk profile of the company. The company has executed several projects for various government departments in the past. The company's day-to-day operations are looked after by Mr. Vishal Kumar and Mr. Tarun Kumar, along with a team of experienced professionals.

- **Comfortable capital structure and debt protection metrics**

The company has a comfortable capital structure as reflected in overall gearing ratio of 0.58x and long-term debt equity ratio of 0.08x in FY2021 (provisional). The Total outside liabilities to Tangible Net worth stood comfortable at 1.09x in FY2021 (1.11x in FY2020). The debt protection indicators as marked by Total Debt/CGA stood at 3.24 years. The coverage indicators stood comfortable at 3.24 times in FY2021 (provisional) increasing from 2.53 times in FY2020 on account of increase in the operating profits of the company.

- **Healthy order book providing revenue visibility**

The company has unexecuted order book of Rs. 103.71 crores as on June 1, 2021, which is 2.56x of FY2021 (provisional) revenues, which provides revenue visibility in the near to medium term. However, timely and effective execution of the orders are critical for the company's earnings.

Key Rating Weaknesses

- **Relatively small scale of current operations**

The company's scale of operations continues to remain relatively small, notwithstanding an increase to Rs. 40.54 crore in FY2021 (provisional) from Rs. 27.28 crore in FY2020, registering a YoY growth of ~49% primarily on account of timely execution of the awarded contracts.



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- **High client and geographical concentration risks**

The company has high client concentration risk, with majority of revenues and order book contributed by Road Construction Department which depicts high client concentration risk, however, association with reputed client base, the counterparty risk reduces to a large extent. Moreover, the company's entire revenues and the current order book are concentrated in Bihar, which depicts high geographical concentration risk as well.

- **Fragmented and highly competitive nature of the industry**

Small and medium-sized government civil construction projects lead to low entry barriers and allow many players to enter this sector, thus intensifying competition. As contracts are awarded to the L1 bidder, margins remain under pressure.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity - Adequate

The liquidity position of the company is adequate on account of the fact that the expected gross cash accruals of the company are likely to remain favorable relative to its debt-servicing obligations in the near term, at least. High average utilisation of the fund-based working capital limit, cash margin on bank guarantee provided as performance security and retention money withheld by BPPL's clients as per terms of the contracts lead to blockage of funds, to some extent. However, the entity does not have any major capital expenditure plan in the near to medium term. This is expected to support the company's liquidity position. Further, company has reported adequate current ratio at 1.69x as on March 31, 2021 (provisional) to meet its near-term cash requirements.



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About the Company

Incorporated in 1989, Sincon Infrastructure Private Limited (SIPL) is a civil contractor involved in the construction of bridges, roads, flyovers, railway and other civil work in Bihar. The company is a registered Class I category contractor under Road Construction Department.

Financials (Standalone)

For the year ended* / As on	INR in Crore	
	31-Mar-20 (A)	31-Mar-21 (Provisional)
Total Operating Income	27.28	40.54
EBITDA	2.89	4.76
PAT	0.89	1.95
Total Debt	8.57	8.40
Tangible Net Worth	12.64	14.59
EBIDTA Margin (%)	10.58	11.75
PAT Margin (%)	3.25	4.80
Overall Gearing ratio (x)	0.68	0.58

*Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA:

CRISIL Ratings has moved the ratings of SIPL into the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated June 28, 2021.

India Rating has maintained the ratings of SIPL in the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated September 20, 2018.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument / Facility	Current Rating (Year: 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	4.00	IVR BB+/ Stable	-	-	-
2.	Guaranteed Emergency Credit Line	Long Term	1.20	IVR BB+/ Stable	-	-	-



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3.	Bank Guarantee	Short Term	14.00*	IVR A4+	-	-	-
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**Interchangeability from NFB limit to FB limit up to Rs. 2 crores*

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Guaranteed Emergency Credit Line	-	-	FY2024	1.20	IVR BB+/ Stable
Cash Credit	-	-	-	4.00	IVR BB+/ Stable
Bank Guarantee	-	-	-	14.00*	IVR A4+

*Interchangeability from NFB limit to FB limit up to Rs. 2 crores

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

Annexure 3: Facility wise lender details

(<https://www.infomerics.com/admin/prfiles/Sincon-Infra-lenders-10aug21.pdf>)

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Guaranteed Emergency Credit Line	Simple
2.	Cash Credit	Simple
3.	Bank Guarantee	Simple

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.