

## Sobti Infratech Limited

December 30, 2024

| Facilities/Instruments                 | Amount (₹ crore) | Rating <sup>1</sup>                                  | Rating Action                                   |
|--|------------------|--|---|
| Long Term / Short Term Bank Facilities | 78.00            | CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* | Rating moved to ISSUER NOT COOPERATING category |

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has been seeking information from Sobti Infratech Limited (SIL) to monitor the rating(s) vide e-mail communications dated December 17, 2024; December 16, 2024; December 03, 2024; November 29, 2024; and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings has reviewed the ratings on the basis of the best available information which, however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The ratings of Sobti Infratech Limited bank facilities will now be denoted as CARE BB+; Stable/ CARE A4+; ISSUER NOT COOPERATING\*.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The ratings assigned to the bank facilities of SIL are constrained on account of the highly competitive industry with business risk associated for tender-based orders. The ratings also factor in modest scale of operations with moderate profitability margins, low order book position with geographical concentration, low net worth base and working capital intensive nature of operations. However, the ratings draw comfort from comfortable capital structure, experienced promoter and moderate profitability margins.

**Analytical approach:** Standalone

**Outlook:** Stable

"Stable" outlook reflects CARE Ratings opinion that SIL will continue to derive benefit from its long-standing experience of promoters in the industry.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Modest scale of operations with moderate profitability margins

The company is a small regional player involved in executing construction contracts majorly relating to PWD projects in Uttar Pradesh (UP). The total operating income (TOI) of the company stood at ₹170.84 crore in FY24 (refers to the period April 01 to March 31) compared to ₹63.26 crore in FY23. The small scale of operations in a fragmented industry limits the pricing power and restricts the company from benefiting through economies of scale. The company majorly undertakes government projects, which are awarded through the tender-based system. The projects are highly competitive and involve aggressive bidding, stressing the profitability margins. The profitability margins as marked by profit before interest, lease rentals, depreciation and taxation (PBILDT) and profit after tax margins moderated to 4.05% and 1.86%, respectively, in FY24 (PY: 7.43% and 2.51%, respectively).

##### Low order book position along with geographical concentration

SIL has an unexecuted order book position of ₹103.43 crore which is equivalent to ~1.63x of the TOI achieved in FY23 and the tenor of the construction contracts to be executed varies depending upon the type of contract. Also, the unexecuted order book is concentrated towards Public Works Departments (PWD) projects in UP only. Thus, the company is exposed to the risk of any unfavorable changes in the policies towards the award of new contracts. Further, effective, and timely execution of the orders has a direct bearing on the total income and margins of the company.

##### Highly competitive industry with business risk associated for tender-based orders

SIL operates in a highly competitive construction industry wherein it faces direct competition from various organized and unorganized players in the market given the low barriers to entry. There are a number of small and regional players catering to the same market which have limited the bargaining power of the company and have exerted pressure on its margins. The availability and retention of skilled manpower has also become a major challenge. SIL receives the majority of its work orders

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

from government departments. The risk arises from the fact that any changes in geo-political environment and policy matters would affect all the projects at large. Further, any changes in the government policy or government spending on projects are likely to affect the revenues of the company. Furthermore, the government projects are awarded through the tender-based system. This exposes the company to the risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder.

### Working capital intensive nature of operations

Construction industry is characterized as working capital-intensive nature of operations wherein the inventory is in the form of work in progress at different sites on account of procedural delays involved in the certifications/validation of the invoices for the contracts executed. However, SIL, through its contacts in various government departments, has a policy of raising bills only when the work is quality checked by the authorities. Generally, bills are raised at year end hence the inventory days vary from 5-10 days. Further the bills are cleared immediately. The operating cycle is thus negative. Creditors are paid on time as per mutually agreed terms. With low fund based working capital limits, companies fulfil their working capital requirement through the payable with whom company has long association. Payable days of the company stands at 45 days as on March 31, 2024 (PY: 85 days).

### Key strengths

#### Comfortable financial risk profile albeit low net-worth base

The financial risk profile of the company stood comfortable with overall gearing of the company stood comfortable at 0.30x as on March 31, 2024 (PY: 0.19x). Debt coverage indicators stand satisfactory as depicted by the total debt to gross cash accruals (GCA) of 1.95x as on March 31, 2024 (PY: 1.83x) and Total Debt/PBILDT of 1.51x as on March 31, 2024 (PY: 1.22x). Further, the net-worth base of the company stood at ₹34.78 crore as on March 31, 2024, and the interest coverage ratio of the company stood at 7.50x as on March 31, 2024 (PY: 3.95x).

#### Experienced promoter

Nainjeet Singh Sobti (promoter & whole-time director) has experience of around three decades in the construction business. The company has a team of qualified & experienced engineers and long association with government contractors associated to road Construction Companies which has benefitted in terms of bagging new orders in competitive environment.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

| Macroeconomic indicator | Sector       | Industry     | Basic industry     |
|-------------------------|--------------|--------------|--------------------|
| Industrials             | Construction | Construction | Civil Construction |

Incorporated during the year 1997, SIL is engaged in execution of civil construction contracts related to road construction and other structural works mainly for PWD. Nainjeet Singh Sobti is the promoter and whole-time director of the company. The registered office of the company is in New Delhi and the corporate office is in Bareilly, UP.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | March 31, 2024 (A) |
|----------------------------|--------------------|--------------------|--------------------|
| Total operating income     | 48.65              | 63.26              | 170.84             |
| PBILDT                     | 3.81               | 4.70               | 6.92               |
| PAT                        | 1.29               | 1.59               | 3.18               |
| Overall gearing (times)    | 0.24               | 0.19               | 0.30               |
| Interest coverage (times)  | 8.73               | 3.95               | 7.50               |

A: Audited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Brickwork has continued the ratings assigned to the bank facilities of SIL into 'Issuer not-cooperating' category vide press release dated July 04, 2024, on account of non-availability of requisite information from the company.

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

| Name of the Instrument                     | ISIN | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook                   |
|--|------|------------------|-----------------|---------------|-----------------------------|--|
| Fund-based - LT/ ST-Working Capital Limits | -    | -                | -               | -             | 7.00                        | CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* |
| Non-fund-based - LT/ ST-Bank Guarantee     | -    | -                | -               | -             | 71.00                       | CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* |

\*Issuer did not cooperate; based on best available information.

#### Annexure-2: Rating history for last three years

| Sr. No. | Name of the Instrument/ Bank Facilities    | Current Ratings |                              |  | Rating History                              |   |   |   |
|---------|--|-----------------|------------------------------|--|---|---|---|---|
|         |  | Type            | Amount Outstanding (₹ crore) | Rating   | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1       | Non-fund-based - LT/ ST-Bank Guarantee     | LT/ST           | 71.00                        | CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* | -   | 1)CARE BB+; Stable / CARE A4+ (19-Feb-24)   | -   | -   |
| 2       | Fund-based - LT/ ST-Working Capital Limits | LT/ST           | 7.00                         | CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* | -   | 1)CARE BB+; Stable / CARE A4+ (19-Feb-24)   | -   | -   |

\*Issuer did not cooperate; based on best available information.

LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable

#### Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument                     | Complexity Level |
|---------|--|------------------|
| 1       | Fund-based - LT/ ST-Working Capital Limits | Simple           |
| 2       | Non-fund-based - LT/ ST-Bank Guarantee     | Simple           |

#### Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

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### About us:

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### Disclaimer:

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