

SPG Infraprojects Private Limited

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	26.00	CARE BBB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	24.00	CARE BBB-; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of SPG Infraprojects Private Limited (SPGIPL) factors in stable scale of operations and profitability margins. The ratings also continue to take comfort from experienced promoters in the EPC industry, with long track record of operations, reputed clientele base and comfortable financial risk profile, marked by healthy debt coverage indicators. These rating strengths, however, are partially offset by competitive and tender-based nature of industry, susceptibility of operating margins to volatility in raw material prices and execution risk related to the projects.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income (TOI) above Rs.350 crore, along with improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 7% on a sustained basis.
- Improvement in overall gearing below 1.00x, along with improvement in debt coverage indicators on a sustained basis.

Negative factors

- Decline in TOI below Rs.150 crore and/or PBILDT margin falling below 5% on a sustained basis.
- Significant increase in working capital requirements and resultant weakening of liquidity position on a sustained basis.
- Moderation in average collection period beyond 80 days on a sustained basis.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has taken a 'consolidated' approach for analytical purpose since SPGIPL and its subsidiary, joint venture and associate concern (collectively referred to as "the group"), are engaged in similar line of business, with business and financial linkages. The list of entities consolidated is given in **Annexure-6**.

Outlook: Stable

The stable outlook reflects CARE Rating's expectation that the group shall sustain its operational and financial performance over the medium term owing to execution of the ongoing projects within the envisaged timelines.

Detailed description of key rating drivers:

Key strengths

Comfortable financial risk profile

The capital structure of the company stood comfortable as marked by overall gearing of 0.99x as on March 31, 2024 (PY: 1.11x), on the account of accretion of the profits to the net worth of the company. Unsecured loans to the tune of Rs.8.40 crore are subordinated to bank loans and are considered as part of the net worth. The debt coverage indicators continued to remain in line with the previous year as marked by interest coverage and total debt to gross cash accruals (TD/GCA) of 3.66x (PY: 3.76x) and 5.39x (PY: 5.43x) respectively in FY24 (refers to period from April 01, 2023 to March 31, 2024).

Stable operational performance

The group's consolidated TOI (total operating income) remains largely stable and stood at Rs.240.12 crore in FY24 (PY: Rs.261.95 crore). The marginal decline in scale of operations is largely on account of the slower execution of work, owing to general elections and monsoon. Further, in FY24, the group reported stable PBILDT margin of 6.41% (PY: 6.41%). In H1FY25 (refers to the period from April 01, 2024, to September 30, 2024), the group achieved TOI of Rs.50.52 crore at an improved PBILDT margin of 8.66%. Going forward, the group expects the PBILDT margin to remain in the range of ~7%-8%.

Experienced promoters, with long track record of operations

The overall operations are managed by Mr. Ashok Kumar Goel (Promoter and Chairman), who has rich experience of more than four decades in EPC (Engineering, Procurement, and Construction) industry. He is ably supported by other promoters, Mr. Varun Goel and Mr. Kunal Jain who have experience of more than one and half decades in similar line of business. The company has an established track record of execution and timely completion of numerous projects for various government authorities along with steady orders flow from these entities.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Reputed clientele base

The group is dealing with government and private clientele viz. Public Works Department (PWD), Northern Railways, Uttar Pradesh Rajkiya Nirman Nigam (UPRNN), HLL Life Care Limited, among others. The group has been associated with most of the key clients for a long time, and successful execution of the projects has also helped it in getting repeat orders. Due to reputed client profiles, the group has low counterparty credit risk although at times, there has been delays in the realization of some bills.

Key weaknesses

Competitive and tender-based nature of industry

SPGIPL being engaged into EPC industry primarily operates on tender-based work orders received from government departments such as PWD and UPRNN, among others. The group's order book and revenues are dependent on successfully bidding and winning the tenders. Due to high competition in the industry from organized and unorganized players, margins come under pressure and remain volatile. However, promoters' extensive experience and company's long track record of operations of around two decades mitigates this said risk to some extent.

Susceptibility of operating margin to volatile input prices

Steel and cement are the major raw material, the prices of which are highly volatile in nature and impact the group's profitability. However, the group keeps itself insulated from these by virtue of cost escalation clause with respect to the majority of its contracts. However, the risk is limited to the extent of the escalation clause provided in the contract which is linked to inflation index.

Execution risks related to Projects

The construction projects for roads, electrical substation, water sewage plants work have inherent risk of delays in execution due to site hand over, weather conditions and issues related to availability of labour etc. which may result in time and cost overrun in the projects. However, the long industry experience of the promoters and the group's track record mitigates these risks to some extent.

Liquidity: Adequate

The group's liquidity position is marked as adequate, with expected gross cash accruals (GCA) of Rs.10.71 crore against repayment obligations of ~Rs.0.68 crore in FY25, which is further aided by unencumbered balance of cash and cash equivalents of Rs.0.69 crore as on September 30, 2024. The average fund-based limit utilization stood moderate at ~70% in trailing nine months ended September 30, 2024, leaving adequate buffer in case of any exigency. Considering the nature of business, a large part of group's working capital requirement is met by non-fund-based limits of Rs.197.00 crore, owing to which the average utilization of NFB (Non-fund-based) limits remained moderate around ~55% in the trailing nine months ended September 30, 2024.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[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

SPGIPL (formerly M/s Shripal Goel) was incorporated in 2010. The group is engaged in the construction and infrastructure sector undertaking projects of commercial, residential, institutional, high- rise buildings, roads, electrical sub-stations, sewerage & water projects. SPGIPL majorly executes works for Indian Railways, Yamuna Expressway Industrial Development Authority, Greater Noida Development Authority, Ghaziabad Development Authority, Bridge & Roof Co. (India) Ltd., PWD Delhi, CPWD Noida, Ircon International Limited and National Thermal Power Corporation Limited among others.

Brief Financials (₹ crore) Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)*
Total operating income	261.95	240.12	50.52
PBILDT	16.78	15.39	4.37
PAT	9.20	10.10	NA
Overall gearing (times)	1.11	0.99	NA
Interest coverage (times)	3.76	3.66	1.84

A: Audited; UA: Unaudited; NA: Not available; PAT: profit after taxation; *Refers to the period from April 01, 2024, to September 30, 2024
Note: these are latest available financial results

Status of non-cooperation with previous CRA: Infomerics Ratings has downgraded the ratings assigned to the bank facilities of SPGIPL under the "Issuer Not Cooperating Category" (INC) category vide its press release dated October 14, 2024, on account of its inability to carry out a review in the absence of requisite information. Further, Acuite Ratings & Research has retained the ratings assigned to the bank facilities of SPGIPL under INC category vide its press release dated January 16, 2024, on account of its inability to carry out a review in the absence of requisite information.

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based – LT -Cash Credit		-	-	-	26.00	CARE BBB-; Stable
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	24.00	CARE BBB-; Stable / CARE A3

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	24.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (02-Jan-24)	-	-
2	Fund-based - LT - Cash Credit	LT	26.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (02-Jan-24)	-	-

LT: Long term; 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-Cash Credit	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](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	M/s SPGIPL-ASB (Joint Venture)	Full*	Subsidiary entity
2	M/s SPGIPL KBINC JV	Proportionate	Joint Venture
3	M/s Sky Infratech Pvt. Ltd. And SPG Infraprojects Pvt. Ltd.	Moderate	Associate firm

**SPGIPL exercises control over this entity, hence the said entity is accounted for full consolidation.*

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.

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