

## Space Chem Engineers Private Limited

April 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	49.00	CARE BBB-; Stable	Assigned
Long Term / Short Term Bank Facilities	76.00	CARE BBB-; Stable / CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Space Chem Engineers Private Limited (SCEPL) derives strength from the experience of its promoters in engineering industry, reputed client base with a healthy order book position and comfortable capital structure of the company. However, the ratings are constrained by its low net worth base, modest scale of operations with moderate profitability and highly competitive and cyclical nature of industry. Further, the ratings also consider the inherent risk associated with tender driven nature of business.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in total operating income (TOI) above Rs 225 crore and Profit before interest, lease rentals, depreciation and taxes (PBILDT) margin above 8% on a sustained basis.
- Significant improvement in the debt coverage indicators of the company marked by an overall gearing of less than 0.50x and a total debt to gross cash accruals (TDGCA) of less than 3x.
- Significant improvement in the liquidity position of the company with reduced reliance on external working capital and shortening of the working capital cycle below 55 days.

#### Negative factors

- Decline in TOI to less than Rs 150 crore along with PBILDT margins below 6% on a sustained basis.
- Any major deterioration in the capital structure arising from debt funded capex or increased working capital borrowings leading to overall gearing above 1.25x.
- Delay in execution of its order book leading to a stretched liquidity position and elongated working capital cycle.

### Analytical approach: Standalone

### Outlook: Stable

The "Stable" outlook reflects CARE Ratings Limited's (CARE Ratings) expectation of improvement in scale of operations of the company driven by timely execution of its order book.

### Detailed description of key rating drivers:

#### Key strengths

##### Experienced promoters

Space Chem group has been a prominent player in engineering industry for over two decades, leading to strong relationships with both suppliers and customers. The company is led by Mr. Krishan Avatar Garg, the Managing Director, who is a Mechanical Engineer and Management Graduate. He is supported by his son, Mr. Priyam Garg (Director). Mr. Krishna Avtar Garg oversees the day-to-day operations, with the directors being backed by an experienced and well-qualified team of professionals in their respective fields.

##### Reputed Client base with a healthy order book

SCEPL is an engineering fabrication and equipment manufacturing company, specializing in custom metal fabrication across a wide range of industries. The company primarily focuses on civil construction, offering customized steel fabrication and

<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.

construction services for road over bridges, railway bridges, open web girders, power plants, and BOT (Build Operate Transfer) projects. The company has been indulged in various large-scale projects for some reputed clients like Delhi Metro Rail Corporation, Afcons Infrastructure Limited, Maharashtra Rail Infrastructure Development Corporation Limited, Larsen & Toubro, Gawar Construction Limited (CARE AA; Stable/ A1+), etc., thus having a well-established reputation in the BOQ industry in India. As of February 28, 2025, the company has an order book worth Rs 891 crore, with Rs 627 crore still unexecuted. A significant portion of these orders involves the supply, fabrication, and assembly of steel girders for the construction of Road Over Bridges (ROBs). This order book is expected to be executed over the next 2-3 fiscal years.

### **Comfortable capital structure albeit low net worth**

SCEPL's capital structure stood comfortable, as marked by an overall gearing of 0.82x as on March 31, 2024 (1.08x as on March 31, 2023) with moderate reliance on external debt. Its debt profile largely comprises working capital debt and rupee term loans. The company also had customer advances amounting to Rs 25.02 crore as on March 31, 2024 (PY: Rs 4.59 crore), which are considered part of debt due to being backed by financial bank guarantees. Therefore, its adjusted overall gearing after considering customer advances stands at 1.36x as on March 31, 2024 (PY: 1.20x). However, the net worth of the company stood low at Rs 46.29 crore as on March 31, 2024. Though, it is expected to improve with timely execution of its order book leading to accretion of profits to net worth. The debt coverage indicators also remain comfortable, with an interest coverage ratio of 3.38x (up from 2.48x the previous year) and a TDGCA of 1.20x (improved from 2.73x the previous year) for FY24 (refers to April 01 to March 31).

### **Key weaknesses**

#### **Modest Scale of operations**

The total operating income of the company has remained moderate over the past few fiscals despite the group's more than two-decade track record. However, in FY24, TOI improved by approximately 50% to Rs 193.51 crore from Rs 129.07 crore in FY23, mainly due to the timely completion of orders in hand. With the company's growing credentials in girders and bridge engineering, TOI is expected to improve further. SCEPL's operating profitability exhibited a stable trend with a PBILDT margin in the range of 6-7% over the past five years ending FY24. It stood at 7.47% during FY24 (PY: 7.74%) due to high fixed costs. Going forward, timely execution of its order book and securing repeat orders from its client base remain key monitorable.

#### **Competitive nature of industry and tender-based operations**

The infrastructure engineering industry in India is highly fragmented, with many small and mid-sized players. This, combined with the tender-based order procurement process, leads to intense competition, constraining the scale and profitability of companies. SCEPL receives work orders from both government and private sector undertakings. Dealing with government entities poses risks due to potential changes in geopolitical environments and policy matters, which can lead to delays in project execution. Additionally, any shifts in government policy or spending on projects can affect the company's revenues. The tender-based system exposes SCEPL to intense competition, as growth depends on successfully bidding for tenders and emerging as the lowest bidder.

#### **Margins susceptible to fluctuations in raw material prices**

SCEPL's operations are highly raw material intensive in nature with the raw material cost constituting as the major cost of production. The key raw material (steel) prices are fluctuating in nature as they depend on the demand and supply scenario. This exposes the margins of the company to adverse movement in the raw material prices. However, majority of the contracts, where the duration of the project extends to more than six months, there exists a price escalation clause to mitigate the company's risk of raw material price volatility.

#### **Liquidity: Adequate**

The company's liquidity remains adequate, with expected gross cash accruals of around Rs 26 crore in FY26 against repayments of Rs 2 crore. The company has no major debt-funded capex plans, and the current ratio stood above unity at 1.20x as on March 31, 2025. However, the average utilization of working capital limits was high at 85% for the previous 12 months ending January 2025. Therefore, efficient working capital management and timely receivables from customers remain key monitorable.

### **Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Iron & Steel](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Iron & Steel Products

Space Chem Engineers Private Limited (SCEPL), headquartered in New Delhi, was incorporated on August 23, 2007. SCEPL is an engineering fabrication and equipment manufacturing company, specializing in custom metal fabrication across a wide range of industries. The company primarily focuses on civil construction, offering customized steel fabrication and construction services for road over bridges, railway bridges, open web girders, power plants, and BOT (Build Operate Transfer) projects with a monthly fabrication capacity of 2,500 MT.

Brief Financials (₹ crore)	March 30, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)
Total operating income	129.07	193.51	257.30
PBILDT	9.99	14.45	25.51
PAT	3.71	7.08	14.57
Overall gearing (times)	1.08	0.82	-
Interest coverage (times)	2.48	3.38	5.86

A: Audited UA: Unaudited; Note: these are latest available financial results; 11MFY25: refers to April 01 to February 28.

**Status of non-cooperation with previous CRA:** Not Applicable

**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
Fund-based - LT-Term Loan		-	-	March 2026	23.00	CARE BBB-; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	76.00	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	Fund-based - LT-Cash Credit	LT	26.00	CARE BBB-; Stable				
2	Fund-based - LT-Term Loan	LT	23.00	CARE BBB-; Stable				
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	76.00	CARE BBB-; Stable / CARE A3				

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	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-BG/LC	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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