

Satya Prakash Builders Limited

March 26, 2021

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	8.50	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short term Bank Facilities	5.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Facilities	13.50 (Rs. Thirteen Crore and Fifty Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Satya Prakash Builders Limited (SPBL) has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's ratings on SPBL's bank facilities will now be denoted as **CARE B+; 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 ratings.

The ratings assigned to the bank facilities of SPBL has been revised on account of non-availability of requisite information including financial performance in FY21. The ratings continue to be constrained on account of its modest scale of operations and moderate order book position. The ratings are, further, constrained on account of its presence in the highly competitive and fragmented civil construction industry and geographical concentration of orderbook.

The ratings, however, drives strength from experienced management which has a long track record of operations, healthy profitability margins and comfortable capital structure.

Detailed description of the key rating drivers

At the time of last rating on March 03, 2020, the following were the rating strengths and weaknesses (updated for latest available information):

Key Rating Weaknesses

Modest scale of operations with moderate order book position: SPBL's scale of operations remained modest marked by a TOI of Rs. 13.02 crore in FY20 compared to Rs. 14.87 crore in the previous year. Further, SPBL had an unexecuted order book position of around Rs. 32 crore as on December 31, 2020.

Presence in a highly competitive and fragmented civil construction industry: The construction industry is highly fragmented in nature with presence of large number of unorganized players and a few large organized players coupled with the tender driven nature of construction contracts poses huge competition and puts pressure on the profitability margins of the players. Further, as the company participates in tenders invited by large lead contractor, high competition and lower bargaining power restricts its profitability margins.

Geographical concentration: SPBL is a regional player and all the projects are primarily executed in Madhya Pradesh which reflects geographical concentration risk. Also, its presence is majorly in construction of residential and commercial buildings which exposes it to sectoral concentration risk as well.

Key Rating Strengths

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

*Issuer did not cooperate; Based on best available information

Experienced management with long track record of operations: The company was incorporated in 1989 and hence, it has more than three decades of experience in the construction industry. Mr. Kamal Kumar Grover, Director, has more than three decades of experience in the construction industry and looks after overall affairs of the company. Mr. Nikhil Grover, Director, has around more than two decades of experience in the construction industry and looks after the overall affairs of the company. The tier-two management is supported by experienced employees to help the management to work efficiently and effectively.

Healthy profitability margins and comfortable capital structure: The company's profitability margins stood healthy marked by PBILDT margin and PAT margin of 18.73% and 7.17% respectively in FY20 as against 17.45% and 6.32% respectively in FY19 whereas GCA remained moderate at Rs.1.25 crore in FY20 (Rs.1.37 crore in FY19). Further, the capital structure of the company remained comfortable with an overall gearing of 0.61x as on March 31, 2020 compared to 0.51x on March 31, 2019. Debt service coverage indicators stood moderate with Total Debt to GCA at 10.44 years as on March 31, 2020 as against 7.55 years in the previous year. Furthermore, the interest coverage indicator of the company stood at 2.27x times in FY20 compared to 3.01x in FY19. As per banker interaction, the company did not opt for moratorium benefit on its bank facilities.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Construction](#)

[Financial ratios - Non- Financial Sector](#)

About the company

Satya Prakash Builders Limited (SPBL) was incorporated on August 8, 1989 as a private limited company. Later on, in April 1, 1999 it was converted into a public limited company. SPBL is promoted by Mr. Naresh Grover and Mr. Kamal Grover. SPBL is involved in the civil construction of buildings and roads and subsequently started business of Ready-Mix Concrete (RMC) in FY11. SPBL derives majority of its revenues from the various government agencies/authorities. SPBL is registered as a Class A contractor with Madhya Pradesh Public Works Department (M.P.P.W.D) with an eligibility to bid for contracts of any amount pertaining to civil works in Madhya Pradesh and Class S contractor with Military Engineer Services (M.E.S). Brief financials of SPBL are tabulated below:

Brief Financials (Rs. Crore)	FY19 (A)	FY20 (A)
Total operating income	14.87	13.02
PBILDT	2.60	2.44
PAT	0.94	0.93
Overall gearing (times)	0.51	0.61
Interest coverage (times)	3.01	2.27

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	6.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	5.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	January 2025	2.50	CARE B+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings		Rating History				
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	6.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (03-Mar-20)	1)CARE BB-; Stable (28-Dec-18)	1)CARE BB-; Stable (30-Jan-18)
2.	Non-fund-based - ST-BG/LC	ST	5.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (03-Mar-20)	1)CARE A4 (28-Dec-18)	1)CARE A4 (30-Jan-18)
3.	Fund-based - LT-Term Loan	LT	2.50	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (03-Mar-20)	-	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Complexity level of various instruments rated for this company

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 - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us**Media Contact**

Mr. Mradul Mishra
 Contact No.: +91-22-6837 4424
 Email ID – mradul.mishra@careratings.com

Analyst Contact

Mr. Chinmay Sheth
 Contact No.: +91-79-4026 5693
 Email ID – chinmay.sheth@careratings.com

Relationship Contact

Mr. Deepak Prajapati
 Contact No.: +91-79-4026 5656
 Email ID – deepak.prajapati@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**