



Press Release

SMC Infrastructures Private Limited

June 06, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u> (Simple/Complex/ Highly complex)
Long Term Bank Facilities - Term loans	5.51	IVR A/ Stable (IVR A with Stable Outlook)	--	Assigned	Simple
Long Term Bank Facilities - Cash Credit	86.00 (Enhanced from Rs. 70 Cr.)	IVR A/ Stable (IVR A with Stable Outlook)	IVR A/ Stable (IVR A with Stable Outlook)	Reaffirmed	Simple
Proposed Long Term Bank Facilities - Cash Credit	14.00 (Reduced from Rs. 30. Cr.)	IVR A/ Stable (IVR A with Stable Outlook)	IVR A/ Stable (IVR A with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities - Bank guarantees	484.00 (Enhanced from Rs. 258 Cr.)	IVR A1 (IVR A One)	IVR A1 (IVR A One)	Reaffirmed	Simple
Proposed Short Term Bank Facilities - Bank guarantees	58.00 (Reduced from Rs. 184 Cr.)	IVR A1 (IVR A One)	IVR A1 (IVR A One)	Reaffirmed	Simple
Total	647.51 (Rupees Six hundred and forty-seven crores and fifty-one lakhs only)				

Details of Facilities are in Annexure 1

Detailed Rationale



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Infomerics Ratings has reaffirmed its rating assigned to the bank facilities considering the sustained growth in the revenue and profitability margins during FY23 (Audited financials) and FY24 (Provisional financials) coupled with robust order book. The company continues to derive strengths from long-standing presence in the sector, experienced promoters & management team, strong order book position and projects in pipeline provide short to medium term revenue visibility, improvement in business performance and comfortable capital structure and healthy debt protection metrics. The rating is constrained by tender driven nature of business in highly fragmented & competitive construction sector, geographical and sectorial concentration risk and working capital intensive operations.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in scale of operation with improvement in profitability.
- Improvement in the capital structure.

Downward Factors

- Any dip in operating income and/ or profitability impacting the debt coverage indicators.
- Moderation in the capital structure due to unplanned capex marked by moderation in leverage ratios.
- Elongation in the operating cycle impacting the liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long-standing presence in the sector

SMCIPL has experience in the Design-Build-Operate EPC projects for more than three decades. The Company has extensive experience and has been successfully executing projects pertaining to Water supply schemes, Water pipeline, execution and maintenance of Water Treatment Plants, Sewage Plant, Sewerage Network, Lift Irrigation, Construction of Bridges and Flyovers Road Construction in Asphalt and Concrete, Commercial and Residential Spaces and Rehabilitation of major RCC/ PSC, Structural Steel Bridges and Water Retaining Structures across various states and countries.

Experienced promoters & management team



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Mr. Arun Sheth, the founder-director of the company, is a graduate holding the position of Managing Director in SMC IPL. He has over 50 years of experience in the infrastructure business. The company has a team of experienced and capable professionals having over 30 years of experience in the segment.

The day-to-day operations of the company are looked after by the other senior management having considerable experience with technical background which includes Mr. Suhas Mehta (Director) who is a graduate from I.I.T. Bombay, Mr. Prashant Mahagaonkar (Director), a graduate from I.I.T. Bombay both individually having over 35 years of experience in infrastructure business and Mr. Anirudh Sheth (Director), a graduate from VJTI, Mumbai, having over 30 years of experience in execution of infrastructure projects. Also, the company has a team of experienced and capable professionals having over 30 years of experience in the segment. With the time span of more than three decades in infrastructure sector, the management has developed a deep understanding of the sector and established strong working relations with major stakeholders.

Strong order book position and projects in pipeline provide short to medium term revenue visibility.

The company has a strong order book amounting to approximately Rs. 6459.49 Cr. Out of the total order, the company has unexecuted orders of Rs. 4140.38 Cr. As on January 1, 2024 which is around 3.16x of FY24 (Prov.) revenue thus providing revenue visibility in the near to medium term. The company continues bidding for new projects thus indicating a satisfactory near to medium term revenue visibility. Its order book reflects the corporate philosophy of working on specialised projects. This reduces competition and enables improved pricing for the company. Successful execution of the projects has also helped it in getting repeat and large-sized orders from clients.

Improvement in business performance

The company has achieved improvement in both revenues and margins in FY24 Prov. leading to increase in cash accruals. The operating income has witnessed ~33% CAGR in past three years. The company's overall operating income increased significantly by ~30% in FY24 Prov., from Rs. 1002.81 Crore to Rs. 1306.85 Crore as a result of higher execution of orders in the current year. The EBITDA margin & PAT margin of the company have improved in FY24 Prov. and stood at 8.66% and 6% respectively as against 7.64% and



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5.93% in FY23 respectively mainly on account of improvement in scale of operation and realisations. Also, the company had comfortable RoCE at 17.13% in FY24 (Prov.).

Comfortable capital structure and healthy debt protection metrics

The company's financial profile remains comfortable, marked by comfortable capital structure and healthy debt protection metrics. The capital structure of the company remained comfortable with adj. overall gearing at 0.41x in FY24 Prov. The total indebtedness of the company as reflected by TOL/ANW stood moderate at 1.79x as on March 31, 2024 Prov. The debt protection indicator of the company like interest coverage and DSCR have improved and stood comfortable at 5.66x and 4.59x respectively in FY24 Prov.

Key Rating Weaknesses

Tender driven nature of business in highly fragmented & competitive construction sector

The domestic infrastructure works sector is highly crowded with presence of many players with varied statures & capabilities due to which profitability margins come under pressure. Further, the company receives its work orders from government departments through tenders floated by the departments. Economic vulnerability in developing markets, delay in payments from the Government, project execution risk and fluctuating input costs are the key business risk faced by the company in the sector.

Geographical and sectorial concentration risk

The present order book is majorly skewed towards water supply works in the states of Maharashtra and Karnataka from various government departments indicating a geographical and sectorial concentration risk. However, the company has adequate experience to execute projects in these states which provides a comfort. Further to reduce its geographical concentration risk the company has been bidding and executing projects in other states as well.

Working capital intensive operations

The company has to make large working capital investments for the work orders received from the government authorities mainly towards procurement of varied raw materials.



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Intense working capital driven business requires higher utilization of working capital requirements from banks.

Analytical Approach: Standalone

Applicable Criteria:

[Infrastructure Companies | Infomerics Ratings](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity –Adequate

The liquidity position of the company is expected to remain adequate marked by its healthy net cash accruals vis-à-vis its debt repayment obligations. Moreover, the current ratio also stood comfortable at 1.59x as on March 31, 2024 (Prov.). The average utilisation for fund-based working capital facilities stood at ~62% for the past 12 months period ended January-24 also indicates a comfortable liquidity position.

About the Company:

SMCIPL, based in Mumbai, Maharashtra was incorporated in June 14, 1982. It has been promoted by Arun Ramchandra Sheth, Suhas Narayan Mehta, Aniruddha Arun Sheth and Prashant M. Mahagaokar. It is an ISO 9001-2000 certified infrastructure company with three decades of experience. The Company has experience in the field of water supply project, lift irrigation projects, Construction of Bridges, Asphalt Road. It has experience in executing turnkey Design-Build-Operate and Engineering Procurement Contracting projects in Water Pipelines, Water Treatment Plants, Sewage Plant and Sewerage Network.

Financials (Standalone):

	(Rs. crore)	
For the year ended/ As on*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	738.31	1002.81
EBITDA	55.57	76.59
PAT	41.93	60.89
Total Debt	136.95	90.70



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Adj. Tangible Net Worth	215.54	274.04
EBITDA Margin (%)	7.53	7.64
PAT Margin (%)	5.51	5.93
Adj. Overall Gearing Ratio (x)	0.64	0.33
Interest Coverage (x)	3.68	5.24

* As per Infomerics Standard

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date	Date (March 03, 2023 & March 16, 2023)	Date (Feb. 25, 2022)
1.	Term loans	Long-term	5.51	IVR A/ Stable	--	--	--
2.	Cash Credit	Long-term	86.00 (Enhanced from Rs. 70 Cr.)	IVR A/ Stable	--	IVR A/ Stable	IVR BBB+ / Stable
3.	Proposed Cash Credit	Long-term	14.00 (Reduced from Rs. 30 Cr.)	IVR A/ Stable		IVR A/ Stable	IVR BBB+ / Stable
4.	Bank guarantees	Short-term	484.00 (Enhanced from Rs. 258 Cr.)	IVR A1	--	IVR A1	IVR A2
5.	Proposed Bank guarantees	Short-term	58.00 (Reduced from Rs. 184 Cr.)	IVR A1	--	IVR A1	IVR A2

Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics



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commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL	-	-	Feb. 28, 2026	4.79	IVR A/ Stable
Vehicle loan			July 01, 2025	0.15	IVR A/ Stable
GECL			July 07, 2026	0.57	IVR A/ Stable
Cash Credit			Revolving	34.00	IVR A/ Stable



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Cash Credit			Revolving	6.00	IVR A/ Stable
Cash Credit			Revolving	7.00	IVR A/ Stable
Cash Credit			Revolving	39.00	IVR A/ Stable
Proposed Cash Credit			Revolving	14.00	IVR A/ Stable
Bank guarantee			--	188.00	IVR A1
Bank guarantee			--	62.00	IVR A1
Bank guarantee			--	33.00	IVR A1
Bank guarantee			--	25.00	IVR A1
Bank guarantee			--	176.00	IVR A1
Proposed Bank guarantee			--	58.00	IVR A1

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SMC-Infrastructure-jun24.pdf>

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

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