



Press Release

SKS Infra Projects Private Limited

October 15, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Short Term Bank Facilities	90.00	IVR A3 (IVR A Three)	Reaffirmed/ Assigned
2.	Long Term Bank Facilities	10.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned
	Total	100.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of **SKS Infra Projects Private Limited** draws comfort from its experienced promoters and top Management, Reputed Clients and Growing scale of operations with Strong credit metrics. However, these rating strengths are partially offset by its Tender-based nature of operations, intense competition in the industry and geographical concentration risk. The Rating also considers the Strong order book position of the firm reflecting satisfactory medium-term revenue visibility.

Key Rating Sensitivities:

Upward Factor:

- Increase in total operating income along with a strong order book going into the future
- Maintaining the debt protection metrics with increase in working capital requirements

Downward factor:

- Decline in profitability levels thereby impacting company's debt coverage indicators.
- Loss of projects or increase in execution time resulting in slower revenue realization



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Management and Long-standing Relationships with the clients

SKS Infra Projects Private Limited (is promoted by Mr. Santosh Kumar Sharma who has a long-standing experience in construction and infrastructure of almost 25 years. Mr. Santosh Kumar Sharma started civil and road works in the year 1997 through contracts from the Government of Uttar Pradesh. He has consistently maintained good relations with the various government clients which can be seen for the fact that the company has been getting repeated orders.

Strong order book and Client Profile

The company has a very strong order book considering the scale of operations and the short history of the company. The current order-book comprising worth (current value of projects remaining) ~ **104.01 Cr.** from various PWD departments of both Uttar Pradesh and Madhya Pradesh represents the trust the clients have in the expertise of the company. As can be seen from the current order book, majority of the clients are various PWDs and other government entities.

Strong Credit Metrics

The total outside liabilities to tangible net worth (TOL/TNW) ratio improved marginally to 0.83 times as on 31 March, 2020 (from 1.08 times as on 31 March, 2018), largely on account of retention of profits. The company has net worth of Rs. 57.29 Cr as at 31 March, 2020. SKS Infra shows healthy profitability with a PAT margin of 7.24% and EBITDA margin of 12.45% which are higher than the industry average. The debt metrics have improved over the last 3 years with the company being able to generate enough surplus to repay the obligations.

Key Rating Weaknesses

Competitive and Fragmented Nature of the industry

The Road Construction EPC industry is highly competitive with a large number of small players that cater to the local demand. To reach economies of scale and have a larger market share, the company has to continuously invest in expanding facilities. Modest scale of operations along with intense competition restricts the pricing flexibility of SKS Infra. The modest scale of



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operations amid intense competition is expected to restrict SKS's pricing and bargaining power over the medium term. As the company operates in the EPC business of Road Construction, the bids have to be priced conveniently so as to be competitive enough. This puts a pressure on the margins.

Geographical Concentration Risk

As can be seen from most of the orders of the company i.e. both past and present, majority are concentrated in and around the state of Uttar Pradesh. This puts the company in a risky position if there is some widespread government regulation that puts a restriction on the construction activities or bidding processes.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies
Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

SKS Infra Projects Private Limited had a GCA of Rs. 15.82 crore in FY20 as against its repayment obligation of Rs. 2.98 crore. The company has a Current Ratio of 1.81x as of March 31, 2020. The free cash & cash equivalent was Rs. 1.92 Crore as on March 31, 2020. Liquidity is expected to remain Adequate.

About the Company

The company is in the business of civil and road construction for various government entities on EPC basis. Mr. Santosh Kumar Sharma started working on government projects in 1997. It solely executes most of their projects as the prime contractor. To encash upon its experience, it also enters into project specific joint ventures. Also, as a normal business practice, depending on the business needs, SKS out sources some of its work to subcontractors. The firm works as a class A contractor for the development of infrastructure projects, including roads, bridges, national highways etc.

Financials (Standalone):

	(Rs. crore)	
For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Provisional



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Total Operating Income	76.16	165
EBITDA	9.12	20.55
PAT	4.35	12.00
Total Debt	24.42	18.25
Tangible Net worth	45.12	57.29
EBITDA Margin (%)	11.97	12.45
PAT Margin (%)	5.53	7.24
Overall Gearing Ratio (x)	0.53	0.31

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Bank Guarantee	Short Term	90.00	IVR A3	-	-	-
2.	Cash Credit	Long Term	10.00	IVR BBB-/ Stable			

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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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
Short Term Bank Facilities–Bank Guarantee	-	-	-	90.00	IVR A3
Long Term Bank Facilities	-			10.00	IVR BBB-/ Stable