



Press Release

Silpa Projects & Infrastructure (India) Private Limited

August 19, 2020

Rating

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Long Term Fund Based Facility - Cash Credit	30.00	IVR BB+/ Stable outlook (IVR Double B Plus with stable outlook)	Assigned
2.	Long Term Fund Based Facility – Overdraft Facility	3.00	IVR BB+/ Stable outlook (IVR Double B Plus with stable outlook)	Assigned
3.	Short Term Non-Fund Based Facility – Bank Guarantee	44.00	IVR A4+ (IVR A Four Plus)	Assigned
	Total	77.00		

Details of Facilities are in Annexure I

Detailed Rationale

The rating derives strength from Long and Established track record, Healthy order book position, Gradual improvement in the topline coupled with healthy growth in profitability and Healthy debt protection metrics. However, these strengths are, partially offset by Geographical concentration in revenue, Working capital-intensive operations and Profitability margins susceptible to volatile raw material prices.

Key Rating Sensitivities

Upward rating factor(s) – Substantial & sustained improvement in revenue and profitability margins while maintaining the debt protection metrics may lead to a positive rating action

Downward rating factor(s) – Any deterioration in revenue and/or profitability margin leading to deterioration in debt protection metrics may lead to a negative rating action



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Key Rating Drivers with detailed description

Key Rating Strengths

Long and Established track record

The key strength of the company is their long track record in the industry and their successful execution track record. The company has executed more than 180 projects worth INR 1500 Crore over the last 20 years which indicates the strong execution capabilities of the team. The promoters have nearly three decades of rich experience and has stronghold in getting projects from CPWD (Central Public Works Department), Kerala.

Healthy order book position

The company has a healthy order book position as of 31st March, 2020 with total orders worth INR 819.80 crore across various clients such as Army Welfare Housing Organisation, Artech Realtors Pvt Ltd, Kitco Ltd – Residential facilities & Medical College and South Indian Bank Limited amongst many others. This provides revenue visibility over the next 24 months.

The company consciously selects projects which are secure in terms of their funding allocation – either through an allocation from external funding agency or specific allocation in the state government budget. About 60% of its order book consists of central government funded projects thus lending revenue stability.

Gradual improvement in the topline coupled with healthy growth in profitability

The Company's topline has improved steadily with a CAGR of 11% from FY17 to FY20. The EBITDA margins have remained range bound between 12% to 14% from FY17 to FY20. However, the PBT and PAT Margins have improved from 4.52% and 2.77% respectively in FY18, to 4.81% and 3.42% respectively in FY19 and further to 6.07% and 4.04% respectively in FY2020.



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Healthy debt protection metrics

The overall gearing ratio and interest coverage ratio stood comfortable at 0.99x and 2.22x respectively in FY2020. The TOL/TNW was at 1.56x as on 31st March, 2020. The Long Term Debt/ EBITDA as at 31st March 2020 stood at 0.35x as against 0.37x in FY2019. The debt protection metrics are expected to remain healthy going forward.

Key Rating Weaknesses

Geographical concentration in revenue

The company's majority revenues are derived from various Government departments in Kerala as well as private projects in Kerala thus resulting in geographical concentration in revenue profile. However, the company has adequate experience to execute projects in these state and also operating in a concentrated geography provides efficient control and reduces the logistical expense.

Working capital-intensive operations

The company has significant working capital requirements driven by high debtor days, earnest money deposits and retention money retained by the client. Thus, the company's gross current assets are high, estimated at 280 days as on March 31, 2020, primarily because of high debtor days of 273 days.

Profitability margins susceptible to volatile raw material prices

Major raw materials used in civil construction activities are steel & cement which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices. However, presence of escalation clause in most of the contracts protect the margin to a large extent.



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Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Infrastructure Entities

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The cash accruals in the near to medium term will be sufficient to repay its debt obligations. The current ratio and quick ratio as at 31st March, 2020 has been 1.46x and 1.43x respectively. The DSCR of the company is comfortable and above unity. The overall liquidity position of the company is **Adequate**.

About the Company

Silpa Constructions was established in 1985 as a proprietary concern under the leadership of Mr. Thundassery Surendran Sanil. Over the years it grew and formed a company, Silpa Projects and Infrastructure India Private Limited (SPIIPL) on 24th July, 2007. Mr. T. S. Sanil is now the Managing Director of the company, along with Mrs. Shoney Sanil.

The company is a leading Civil and Piling contractor in Kerala with Head Office at Kochi. The company is into all types of construction businesses and is an EPC contractor for construction. They have completed various projects in the state of Kerala as well as some premium projects in states and cities such as Bangalore, Goa and Tamil Nadu. The company has executed projects worth INR 1500 Crore over the last 20 years.

Financials (Standalone):

(INR Crore)

For the year ended* / As on	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	103.05	103.50
EBITDA	14.23	13.51
PAT	3.56	4.19
Total Debt	43.42	44.50
Tangible Net worth	39.16	43.43
EBIDTA Margin (%)	13.81	13.06



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PAT Margin (%)	3.42	4.04
Overall Gearing Ratio (x)	1.06	0.99

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CRISIL in its press release dated July 23, 2020 has migrated the rating of Silpa Projects & Infrastructure (India) Private Limited to "Issuer Not Cooperating" category.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Facility - Cash Credit	Long Term	30.00	IVR BB+/ Stable outlook (IVR Double B Plus with stable outlook)	--	--	--
2.	Long Term Fund Based Facility – Overdraft Facility	Long Term	3.00	IVR BB+/ Stable outlook (IVR Double B Plus with stable outlook)	--	--	--
3.	Short Term Non-Fund Based Facility – Bank Guarantee	Short Term	44.00	IVR A4+ (IVR A Four Plus)	--	--	--

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. 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 I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility - Cash Credit	--	1 Year MCLR + 7.35% (Currently 14.35% p.a.)	On Demand	30.00	IVR BB+/ Stable outlook (IVR Double B Plus with stable outlook)
Long Term Fund Based Facility – Overdraft Facility	--	12 months MCLR + 3.00% (Currently 11.35% p.a.)	On Demand	3.00	IVR BB+/ Stable outlook (IVR Double B Plus with stable outlook)
Short Term Non-Fund Based Facility –	--	--	-	44.00	IVR A4+ (IVR A Four Plus)



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Bank Guarantee					
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