

December 05, 2024

## Secon Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash credit	6.50	6.50	[ICRA]A (Stable); reaffirmed
Short-term – Non-fund based – Others	58.50	58.50	[ICRA]A1; reaffirmed
<b>Total</b>	<b>65.00</b>	<b>65.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings reaffirmation for Secon Private Limited (SPL) factors in the range-bound top line improvement in the near term, driven by healthy unexecuted order book position of Rs. 325.9 crore (2.6 times based on OI of FY2024) as on September 30, 2024, providing medium-term revenue visibility. The operating margins (OPM) are expected to sustain around the current levels (~20%), with presence of a strong in-house survey and investigation services team aiding in faster turnaround and greater control over quality and costs for the company. The ratings note its established track record in engineering and project consultancy, along with presence across multiple segments such as oil and gas pipelines, irrigation, highways, water supply and land records survey. The ratings draw comfort from the company's strong financial risk profile with low leverage, strong liquidity position and sustained healthy profitability margins resulting in robust debt protection metrics.

The ratings, however, are constrained by SPL's high working capital intensity owing to the elongated receivable position, marked by debtor days of 231 as on March 31, 2024 (FY2023: 226 days). The debtor days remain on a higher side on account of a large share of design and survey projects, along with dominance of Government entities in its client base, which have long payment approval cycles. Any write-off of receivables, which impacts its profitability and net worth position, would remain a key monitorable. The ratings are constrained by the high sectoral concentration risk, with the pipeline division accounting for 39% of revenues in FY2024 (though moderated to some extent vis-à-vis FY2023, with increased share of the irrigation segment), and 33% of the unexecuted order book as on September 30, 2024. While SPL enjoys a strong market position in certain niche segments, its scale of operations remains modest against other established and much larger peers. The company's revenues remained range-bound within Rs. 80-110 crore over the past five years, indicating stiff competition in the engineering consultancy industry, which may result in pricing pressure. It does not have any material organic/inorganic growth plans, and its dividend payout is expected to remain modest going forward.

The Stable outlook assigned to the company factors in ICRA's expectation that despite modest revenue growth, the company will sustain its healthy financial profile, with debt-free position and strong liquidity.

### Key rating drivers and their description

#### Credit strengths

**Established position in engineering and project consultancy services** – The company has over three decades of track record in providing engineering and project consultancy services. It has presence in various disciplines such as oil and gas pipelines, highway engineering and construction supervision, irrigation, flood control and water management, establishment of GIS-based property ownership records and geo-spatial solutions, etc.

**Healthy order book providing medium-term revenue visibility** – The company had a healthy order book position of Rs. 325.9 crore as on September 30, 2024. While the order book deteriorated from 3.4 times of FY2022 revenues, it is comfortable at

2.6 times of FY2024 revenues and provides medium-term revenue visibility. The order book comprises export services, which accounted for 17% of revenues in FY2024 (FY2022: 13%).

**Strong financial risk profile** – SPL’s profitability metrics remain healthy, supported by its backward integration into geotechnical investigation and engineering surveying, which helps to achieve a faster turnaround and greater control over costs. In addition, the company has a strong in-house software team, which aims at improving the operational efficiency through development of new tools. Its financial profile is strong with sustained healthy profitability margins, negative net debt levels and robust debt protection metrics. Its liquidity position is strong as evident from the presence of free cash balances and liquid investments of ~Rs. 70.7 crore as on March 31, 2024.

### Credit challenges

**Modest scale of operations** – The company’s revenues remained range-bound within Rs. 80-110 crore, indicating stiff competition in the engineering consultancy industry, which results in pricing pressure.

**High working capital intensity owing to elongated receivable cycle** – SPL’s working capital intensity has remained high owing to the elevated receivable position. The debtor days are high at 231 days as on March 31, 2024 (FY2023: 226 days) as the clientele predominantly constitutes Government entities, wherein typically the payment approval cycles remain long. However, the company has been meeting its working capital funding requirements from internal accruals with limited dependence on debt.

**Sectoral concentration with orders primarily from pipeline and land records divisions** – The company is exposed to high sectoral concentration risk with the pipeline division accounting for 39% of revenues in FY2024 (FY2023: 49%). Further, the order book is concentrated with the pipeline (33%) and geotech survey (39%) segments together accounting for 72% of the order book as on September 30, 2024. Nonetheless, SPL’s established presence in various disciplines is likely to partly mitigate this risk, going forward.

### Liquidity position: Strong

The company’s liquidity position remains strong, aided by positive cash flow from operations, modest dividend payouts and low capex plans. The liquidity is supported by free cash and liquid investments of Rs. 70.7 crore and the presence of undrawn line of credit of Rs. 6.50 crore as on March 31, 2024. The entity maintains debt-free position, which supports its liquidity profile.

### Rating sensitivities

**Positive factors** – The ratings can be upgraded if the company achieves any significant scale-up in its revenues with diversification in business risk profile, while maintaining its profitability margins, along with reduction in its working capital intensity.

**Negative factors** – Pressure on the ratings could arise if the company’s liquidity weakens due to material deterioration in its receivable position and/or sizeable dividend payout and/or any inorganic expansions. Further, any material decline in SPL’s revenues and profitability may lead to pressure on the ratings.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

## About the company

SPL, incorporated in 1981, is an integrated design and engineering consultancy firm with operations spanning across several sectors such as oil and gas pipeline transportation, highways, irrigation, public health engineering, electrical and urban development. The company provides end-to-end solutions for geospatial and design engineering services, which include dynamic data capture, processing, presentation, design and drafting, photogrammetric, light detection and ranging (LiDAR), Geographical Information System (GIS)-based customisation and application development. SPL has in-house multitask/skill solutions for design engineering and related investigations, in-house testing, and research and development (R&D) services including geospatial solutions. While the company's services extend to both the pre-construction and post-construction stages, its activities are mostly focused on the pre-construction stage where it caters usually to Government clients/public sector undertakings.

## Key financial indicators (audited)

SPL	FY2023	FY2024
Operating income	104.6	109.5
PAT	25.8	14.8
OPBDIT/OI	22.6%	20.0%
PAT/OI	24.7%	13.5%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	58.8	42.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Current (FY2025)				Chronology of rating history for the past 3 years					
FY2025				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Dec 05, 2024	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash credit	Long-term	6.50	[ICRA]A (Stable)	03-NOV-2023	[ICRA]A (Stable)	09-SEP-2022	[ICRA]A (Stable)	04-AUG-2021	[ICRA]A (Stable)
Non-fund based – Others	Short-term	58.50	[ICRA]A1	03-NOV-2023	[ICRA]A1	09-SEP-2022	[ICRA]A1	04-AUG-2021	[ICRA]A1

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Short-term – Non-fund based – Others	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's

credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Fund-based – Cash credit	-	-	-	6.50	[ICRA]A (Stable)
-	Non-fund based – Others	-	-	-	58.50	[ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis – Not applicable

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### Branches



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