

December 30, 2025

Som Projects Pvt. Ltd.: Ratings placed on Watch with Developing Implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based/ Cash credit	39.30	43.30	[ICRA]BBB; placed on Watch with Developing Implications
Long-term – Fund-based/ Term loan	3.60	3.60	[ICRA]BBB; placed on Watch with Developing Implications
Short term – Non-fund based/ Bank guarantee	260.95	276.95	[ICRA]A3+; placed on Watch with Developing Implications
Long-term/ Short-term – Unallocated	46.15	26.15	[ICRA]BBB; placed on Watch with Developing Implications / [ICRA]A3+; placed on Watch with Developing Implications
Total	350.00	350.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings of Som Projects Pvt. Ltd. (SPPL) have been placed on Watch with Developing Implications, given the filing of a scheme of arrangement (herein after referred to as “the scheme”) with the NCLT¹ Chandigarh for, *inter alia*, transfer of part of its business to a new entity – Aadijay Projects Private Limited (APPL) – w.e.f. April 1, 2025. Upon implementation, the balance sheet of SPPL will be split in two parts, though the shareholding of the two entities will mirror each other for at least three years. As per the management, both the companies shall mutually provide corporate guarantees for bank limits to each other for a period of three years from the date of NCLT approval of the scheme. The scheme is subject to requisite statutory and regulatory approvals, which are expected over the next 6-9 months. ICRA would continue to monitor the developments in this regard and take appropriate rating once further clarity emerges on the subject and the impact on the business and financial risk profile of SPPL is known after the business reorganisation.

Notwithstanding the above, the ratings outstanding favourably factor in SPPL’s comfortable order book position of ~Rs. 1,594 crore as on September 30, 2025 (translates to ~3.6 times of the operating income (OI) of FY2025) providing medium-term revenue visibility and its adequate leverage (TOL/TNW of 0.9 times) and coverage metrics (interest cover ratio of 3.9 times) as on March 31, 2025, which are expected to sustain over the medium term. While the company reported flat YoY revenues in FY2025 (~Rs. 438 crore, a -1% change year-on-year) due to delays in commencement of certain projects (for reasons not attributable to the company – like design approvals, funding release, site availability, etc), a YoY revenue growth of ~15-20%, is expected in FY2026-FY2027, supported by ramp-up in execution of the current order book (provisional OI of Rs. 200 crore in 8M FY2026). SPPL’s operating profitability margins (OPM) remained steady at 10.8% in FY2025 but are likely to remain rangebound (at around 9%) in the medium term. This apart, the ratings draw comfort from the extensive experience of the promoters in the construction sector and the company’s reputed clientele, comprising public sector entities, which mitigates the counterparty credit risk to an extent.

The ratings, however, remain constrained by the moderate scale of operations and high debt repayment obligations on account of incremental borrowings related to order inflow (mobilisation advance term loans or MATL), which is expected to keep the debt service coverage ratio (DSCR) under check in FY2026 and improve from FY2027 onwards. The ratings factor in the execution risk associated with the current order book, with ~80% of orders in the nascent stages of execution (less than 20%

¹ National Company Law Tribunal

progress) as of September 2025. Nevertheless, the company's successful track record in executing such orders provides comfort. SPPL had been extending significant loans and advances to Group companies/related parties in the past (outstanding ~Rs. 27.5 crore as on November 30, 2025) to support ramp-up of these businesses. However, the company now anticipates recovery of these loans/advances over FY2027 and FY2028. Any divergence from this guidance by way of additional outgo or significant delay in recovery of these advances may impact SPPL's liquidity and would remain crucial from the credit perspective.

The ratings factor in the cyclical nature inherent in the construction industry and intense competition in the tender-based contract award system, which could put pressure on its ability to secure new contracts. The ratings note the company's exposure to sizeable contingent liabilities in the form of bank guarantees (BGs – o/s Rs. 242 crore as on September 30, 2025, which was 1.5 times of its net worth as on March 31, 2025), mainly for contractual performance, retention money, mobilisation advance and security deposits. Nonetheless, ICRA draws comfort from SPPL's execution track record and absence of invocation of guarantees in the past.

Key rating drivers and their description

Credit strengths

Healthy order book position providing medium-term revenue visibility – SPPL has a sizeable pending OB of Rs. 1,594 crore as on September 30, 2025 (Vs. Rs. 1,644.3 crore on August 31, 2024), which is ~3.6 times of its OI in FY2025 and provides healthy medium-term revenue visibility, with an execution period of 2-3 years. The current order book comprises orders from the public sector entities like the Military Engineering Services (MES), Nuclear Power Corporation of India Limited (NPCIL), Central and State Public Works Department (CPWD/PWD), which limits the counterparty credit risk.

Adequate capitalisation and leverage metrics – SPPL's dependence on external borrowings has remained limited, despite an increase in scale over the past few years, with a total debt of ~Rs. 94 crore outstanding as on March 31, 2025 (Vs. ~Rs. 98 crore as on March 31, 2024). Given the healthy accruals, the net worth improved to Rs. 161.5 crore as on March 31, 2025 (Vs. Rs. 135 crore as on March 31, 2024) resulting in an improvement in TOL/TNW to 0.9 times (Vs. 1.1 times as on March 31, 2024). With steady accretion to reserves, expected recovery in loans/advances from related parties and external debt repayment, the leverage indicators are likely to improve in the medium term. ICRA, however, notes that the company has sizeable repayment obligations in FY2026 (pertaining to mobilisation advance term loans), which will constrain its DSCR. Nonetheless, the same is expected to be better than FY2025 levels and continue to improve over medium term.

Experience of promoters in construction industry – With over three decades of experience in the construction industry, SPPL's promoters – Garg and Goyal families – have established relationships with clients such as Military Engineer Services (MES), Public Work Department (PWD), HLL Infra Tech Services Limited (HITES), Delhi Development Authority (DDA), The Bhabha Atomic Research Centre (BARC) and others. The company has experience in executing projects in various segments such as residential, commercial, industrial, educational, hospital and others. Successful execution of the projects has helped it in getting repeat and/or larger-sized orders from these clients.

Credit challenges

Moderate scale of operations and high execution risks – The company's scale of operations remains moderate, with OI at ~Rs. 438 crore, despite two decades in operations. While the current OB remains strong, the ability to execute timely and consistently add orders to maintain increasing scale would remain crucial from the credit perspective. Further, SPPL's order book remains exposed to segment concentration risk (with most of the orders in the building/civil construction) and execution risks associated with the contracts (as ~80% of the orders are in the nascent stage with less than 20% progress). However, ICRA draws comfort from SPPL's track record in the construction business and successful completion of projects within time and budget.

Sizeable exposure towards loans/advances to Group companies/related parties – The company had outstanding loans and advances to related parties aggregating Rs. 27.5 crore as on November 30, 2025 (Vs. ~Rs. 32 crore as on March 31, 2024). These were advanced for acquisition of a land parcel, material or towards contract works. SPPL had extended unsecured loans of ~Rs. 8 crore, to its 100% subsidiary Som Projects UK Limited, though the same stood largely repaid in FY2025 (o/s Rs. 0.77 crore as on November 30, 2025). The company does not plan to extend further advances to its subsidiaries/related parties. It expects to recover these advances over the next two years (against last guidance of Rs. 15-20 crore in FY2025 and balance in FY2026), which will remain critical to support the liquidity, given the increasing scale of operations.

Competitive nature of industry and sizeable non-fund based exposure – SPPL is exposed to the cyclicity inherent in the construction industry and intense competition in the tender-based contract award system, resulting in volatility in revenues and pressure on margins. However, its long presence and established relationship with the clients provide comfort. Most of the contracts have a provision for price variation of key raw materials such as cement and steel, which protects the profitability to an extent. It is exposed to sizeable contingent liabilities in the form of BGs (~Rs. 242 crore as on September 30, 2025), mainly towards performance guarantee, retention money, mobilisation advance and security deposits. Nonetheless, ICRA draws comfort from SPPL's execution track record and no invocation of guarantees in the past.

Liquidity position: Adequate

SPPL's liquidity is expected to remain adequate, with cash flow from operations being adequate to match the debt service obligations (~Rs. 30 crore and ~Rs. 26 crore in FY2026 and FY2027, respectively) and marginal capex plans. The same will further be supported by buffer in fund-based limits (average utilisation of ~92% in the trailing 8-months that ended in November 2025). Further, the expected recovery of related party advances could support the liquidity profile. While SPPL enjoys flexibility through the provision to avail mobilisation advances and realise the retention money against BGs, timely enhancement in BG lines will be crucial, given the limited cushion available in the existing lines.

Rating sensitivities

Positive factors – The rating watch will be resolved upon approval/implementation of a proposed scheme of arrangement and greater clarity on business/funding support arrangement between the two entities (viz. SPPL and APPL). The rating may be upgraded if there is a significant improvement in its scale of operations, while maintaining profitability, resulting in improvement in liquidity and coverage metrics.

Negative factors – Substantial delays in project execution impacting scale and profitability or extension of significant loans/advances to group companies/related parties or increase in working capital intensity, which adversely affects the liquidity and coverage metrics, could put pressure on the ratings. Specific credit metrics that could lead to a rating downgrade includes DSCR below 1.3 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated; details of entities consolidated are mentioned under Annexure-II

About the company

Incorporated in 2005, Som Projects Pvt. Ltd. (SPPL) is a Delhi-based construction company, promoted by Mr. Som Prakash Garg and Mr. Sanjay Goyal. The company began its operations primarily by undertaking tenders floated by Ludhiana Cantonment, Military Engineering Services (MES). Thereafter, SPPL started bidding for several projects by MES across Punjab and gradually to other parts of the country. Since then, it has executed development projects such as schools, hospitals, roads, residential flats, office buildings and bridges. At present, SPPL is enlisted with various Central and state government departments.

Key financial indicators

Consolidated	FY2024	FY2025
Operating income (Rs. crore)	455.8	438.2
PAT (Rs. crore)	27.7	26.2
OPBDIT/OI (%)	11.2%	10.9%
PAT/OI (%)	6.1%	6.0%
Total outside liabilities/Tangible net worth (times)	1.1	0.9
Total debt/OPBDIT (times)	1.9	2.0
Interest coverage (times)	4.6	3.9

Source: Company, ICRA Research; All ratios are as per ICRA's calculations

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA:

CRA Name	Status	Date of last Rationale
CRISIL	CRISIL B (Stable)/A4 (ISSUER NOT COOPERATING)	March 21, 2025

Any other information: Not Applicable

Rating history for past three years

				Chronology of rating history for the past 3 years					
Current (FY2026)				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Dec 30, 2025	Date	Rating	Date	Rating	Date	Rating
Unallocated	Long Term/ Short Term	26.15	[ICRA]BBB; Rating Watch with Developing Implications / [ICRA]A3+; Rating Watch with Developing Implications	Oct 30, 2024	[ICRA]BBB (Stable)/ [ICRA]A3+	Mar 27, 2024	[ICRA]BBB (Stable) / [ICRA]A3+ ISSUER NOT COOPERATING	Dec 02, 2022	[ICRA]BBB (Stable)/ [ICRA]A3+
Bank guarantee – Non-fund based	Short Term	276.95	[ICRA]A3+; Rating Watch with Developing Implications	Oct 30, 2024	[ICRA]A3+	Mar 27, 2024	[ICRA]A3+ ISSUER NOT COOPERATING	Dec 02, 2022	[ICRA]A3+
				Oct 24, 2024	[ICRA]A3+				
Cash credit – Fund-based	Long Term	43.30	[ICRA]BBB; Rating Watch with Developing Implications	Oct 30, 2024	[ICRA]BBB (Stable)	Mar 27, 2024	[ICRA]BBB (Stable) ISSUER NOT COOPERATING	Dec 02, 2022	[ICRA]BBB (Stable)
				Oct 24, 2024	[ICRA]BBB (Stable)				
Term loan – Fund-based	Long Term	3.60	[ICRA]BBB; Rating Watch with Developing Implications	Oct 30, 2024	[ICRA]BBB (Stable)	Mar 27, 2024	[ICRA]BBB (Stable) ISSUER NOT COOPERATING	Dec 02, 2022	[ICRA]BBB (Stable)
				Oct 24, 2024	[ICRA]BBB (Stable)				

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based/ Cash credit	Simple
Long-term – Fund-based/ Term loan	Simple
Short term – Non-fund based/ Bank guarantee	Simple
Long-term/ Short-term – Unallocated	Not Applicable

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/Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based –Cash credit	-	-	-	43.3	[ICRA]BBB; rating Watch with Developing Implications
NA	Non-fund based – Bank guarantee	-	-	-	276.95	[ICRA]A3+; rating Watch with Developing Implications
NA	Term loan	March 2021	-	March 2026	3.60	[ICRA]BBB; rating Watch with Developing Implications
NA	Unallocated	-	-	-	26.15	[ICRA]BBB; Rating Watch with Developing Implications / [ICRA]A3+; rating Watch with Developing Implications

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	SPPL Ownership	Consolidation Approach
Som Projects UK Limited	100.0%	Full consolidation
Som VCL JV	67.0%	Full consolidation

Source: Company

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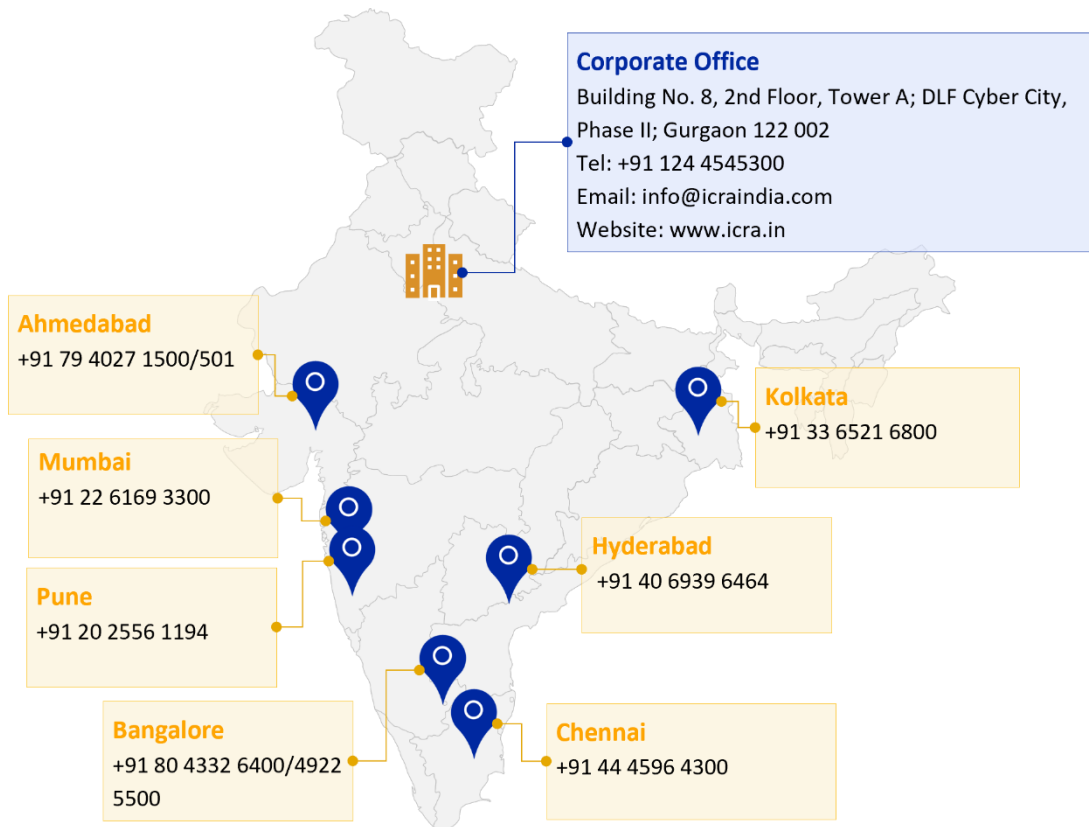


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