



SMERA RATINGS LIMITED

SBG Infracon Private Limited (SIPL)**Rating
Rationale****December 08, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA BB/Stable (Assigned)
Bank Guarantee	10.00	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the abovementioned bank facilities of SBG Infracon Private Limited (SIPL). The outlook is '**Stable**'. The ratings are supported by company's experienced management, healthy order book position and strong financial risk profile. However, the ratings are constrained by the company's high dependence on tender-based contracts in an intensely competitive segment of the civil construction industry. The ratings are also constrained by the susceptibility of the company's profit margins to volatility in raw material prices.

SIPL, established in 2010, is a Delhi-based company engaged in undertaking construction of roads and runways. SIPL benefits from its experienced management. Mr. Jai Kishan Goel, promoter of SIPL, has around three decades of experience in the civil construction industry. SIPL's healthy order book position is reflected in pending orders of Rs.37.44 crore as on April 30, 2014. The company's strong financial risk profile is marked by gearing (debt-equity ratio) of 1.28 times as on March 31, 2013 and interest coverage ratio of 2.76 times in FY2012-13 (refers to financial year, April 01 to March 31).

SIPL is highly dependent on tender-based contracts awarded by the state Public Work Departments, Military Engineering Services (MES) and Airport Authority of India. The company faces intense competition from several players in the civil construction industry. SIPL's profit margins are exposed to volatility in prices of raw materials such as coal tar, cement and concrete. The company's operations are susceptible to delays inherent in infrastructure development projects.

Outlook: Stable

SMERA believes SIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals. The outlook may be revised to 'Negative' in case of significant deterioration in the company's financial risk profile and liquidity position.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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SBG Infracon Private Limited (SIPL)

*Rating
Rationale*

About the company

SIPL, incorporated in 2010, is a Delhi-based company engaged in undertaking civil construction work for state Public Work Departments, Military Engineering Services (MES) and Airport Authority of India.

For FY2012-13, SIPL reported profit after tax (PAT) of Rs.1.48 crore on net sales of Rs.35.85 crore , as compared with PAT of Rs.1.27 crore on net sales of Rs.33.51 crore in FY2011-12. The company's net worth stood at Rs.12.05 crore as on March 31, 2013, as compared with Rs.10.57 crore a year earlier.

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