

November 20, 2015

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

SMERA has reaffirmed the long term rating of '**SMERA BB**' (**read as SMERA double B**) on the Rs.5.00 crore fund-based bank facility and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.10.00 crore non fund based bank facility of SBG Infracon Private Limited (SIPL). The outlook is '**Stable**'. The ratings draw support from the company's moderate financial risk profile and extensive experience of the promoters in the civil construction industry. However, the ratings are constrained by decline in the operating income and the tender based business in a competitive and fragmented segment of the civil construction industry.

Update

SIPL reported operating income of Rs.35.68 crore in FY2014-15 (refers to financial year, April 01 to March 31), as compared with Rs.60.58 crore in FY2013-14. The company's net profit margins improved to 3.44 per cent in FY2013-14 from 2.94 per cent in FY2012-13 due to decrease in raw material cost. The gearing level (debt-to-equity) marginally improved to 0.47 times as on March 31, 2015 from 0.86 times as on March 31, 2014 on account of decrease in bank limit utilisation. The leverage (total outside liabilities to tangible networth ratio) improved from 1.19 times as on March 31, 2014 to 0.61 times as on March 31, 2015.

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.

Rating Sensitivity Factors

- Management of working capital funds
- Scaling up of operations

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About the Company

SIPL, incorporated in 2010 is a Delhi-based company that executes civil construction projects for government entities such as the Public Work Departments (PWD), Military Engineering Services (MES) and Airport Authority of India (AAI).

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