

Press Release

Sbg Infracon Private Limited

February 28, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 15.00 crore bank facilities of Sbg Infracon Private Limited. The outlook is '**Stable**'.

SBG undertakes construction of runways, roads and highways for the Indian Air Force, Military Engineering Services (MES), National Highways Authority of India (NHAI) and Public Works Department (PWD). The rating reaffirmation continues to reflect SBG's prudent financial risk profile and healthy revenue visibility. SMERA expects SBG to report substantial improvement in operating income in the current financial year on account of work-in-hand of Rs.143 cr as on 31st March, 2016.

Key Rating Drivers

Strengths

• Experienced management

SBG was promoted by Mr. Jai Kishan Goel and Ms. Bimla Devi. SMERA believes that SBG will continue to benefit from the over four decades of experience of the promoters in the road construction business. Further, the rating also draws comfort from the promoters' continued track-record of support to the business - evident from the periodic infusion of unsecured loans.

• Prudent financial risk profile

The rating reaffirmation factors in the stable debt protection metrics and gearing. The interest coverage ratio improved to 5.84 times in FY2016 from 4.64 times in FY2015 on account of increase in operating profit margin to 13.74 per cent in FY2016 (8.68 per cent in FY2015). SMERA expects profitability margins to continue to remain healthy over the medium term on account of the recent purchase of road paving equipment by SBG. Lower lease rental outflows coupled with economies of scale is expected to result in substantial buoyancy in the operating cash flows of the company. The rating also continues to draw comfort from the prudent gearing of SBG which stood at 0.55 times on 31st March, 2016 as compared to 0.47 times on 31st March, 2015.

• Healthy liquidity position

The rating continues to be supported by the comfortable liquidity position of SBG marked by low average bank limit utilisation of 14 per cent for the six months ended December, 2016. Further, as on 31st March, 2016, SBG reported unencumbered cash balance of Rs.3.33 crore as compared to Rs.5.19 crore in the previous year.

Weaknesses

• Continued decline in operating income

The rating is, however, constrained by the continued decline in operating income to Rs.16.89 cr in

FY2016 as against Rs.35.68 cr in FY2015. This is primarily on account of lower number of tenders being awarded to the company. SMERA believes that the competitive landscape in the road construction industry shall continue to weigh down on the credit risk profile of SBG. The ability to secure adequate quantum of tenders in a timely manner shall remain a key credit monitorable.

• Increase in gross current asset days

SMERA also takes note of the increase in gross current asset days (GCA) to 259 in FY2016 as compared to 165 days in FY2015. The increase in GCA days is primarily on account of advances to statutory authorities for securing tenders. Currently, the company has tenders worth Rs.145 cr.

Analytical Approach

SMERA has taken a standalone view of the financial and business risk profiles of SBG.

Outlook: Stable

SBG is expected to maintain a stable outlook on account of its experienced management, comfortable debt protection metrics and healthy liquidity position. The outlook may be revised to Positive in case of sustained increase in scale of operations while maintaining profit margins. The outlook may be revised to Negative in case of further decline in operating income and/or marked increase in gross current asset days.

About the Rated Entity - Key Financials

SBG Infracon Private Limited was incorporated in 2010 by Mr. Jai Kishan Goel. The company is engaged in the construction of roads, highways and buildings for government organisations. The company reported net profit of Rs.0.66 cr on operating income of Rs.16.89 cr in FY2015-16, as compared with profit after tax (PAT) of Rs. 1.23 cr on operating income of Rs. 35.68 cr in FY2014-15.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Complexity Level Of Financial Instruments - <https://www.smera.in/criteria-complexity-levels.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
20-Nov-2015	Cash Credit	Long Term	INR 5 CR	SMERA BB / Stable
	Bank Guarantee	Short Term	INR 10 CR	SMERA A4+
08-Dec-2014	Cash Credit	Long Term	INR 5 CR	SMERA BB / Stable
	Bank Guarntee	Short Term	INR 10 CR	SMERA A4+

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA C / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4

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ABOUT SMERA

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