

Press Release

SBG Infracon Private Limited

May 08, 2018

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 (SBGI). The outlook is '**Stable**'.

SBG Infracon Private Limited was incorporated in 2010 by Mr. Jai Kishan Goel. The company is engaged in construction of roads, highways and buildings for airport authorities, state and national highways authorities and Military Engineer services (MES).

Key Rating Drivers

Strengths

- **Healthy revenue visibility**

The company currently has order book of Rs.142.89 crore under execution to be executed over the next two years and another tender of Rs.37.33crore which is in final stage of allotment. Further, the company has reported an operating income of Rs. ~38 crore for FY2018.

- **Comfortable debt projection metrics**

SBGI reported improvement in interest coverage ratio to 7.96 times in FY2017 as compared to 6.81times in FY2016. This improvement is mainly on account of increase in revenues and operating profits in FY2017. Also, the total debt has reduced to Rs.6.85crore as on 31March, 2017 compared to Rs.8.63 crore as on 31March, 2016. The gearing stood at 0.41 times as on 31March, 2017 compared to 0.55 times as on 31March, 2016. Going forward, SMERA expects the profitability indicators and debt protection metrics to remain comfortable on account of SBGI's ability to undertake high margin projects due to the recent purchase of paving equipment.

Weaknesses

- **Modest scale of operations**

On account of the highly competitive nature of the industry, SBGI has reported volatility in its operating income in the past. The company faces high risk of project execution with only two projects currently being in execution phase. Further, SBGI also decided to stop bidding for PWD projects on account of the low profit margins and bureaucratic hurdles.

- **Competitive nature of the business**

As evident from the past, SBGI's inability to secure tenders can result in mismatches between its operating cash flows vis-à-vis debt servicing obligations. The risk is further exacerbated on account of the fixed repayment obligations arising out of the term loan raised from bank in the past. However, these risks are partially offset by SBGI's well established presence in the runway construction segment - which requires approval from the MES and Ministry of Defence.

Analytical Approach

SMERA has taken the standalone view of the financial and business risk profiles of SBGI to arrive at this rating.

Outlook: Stable

SBGI 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

	Unit	FY16 (Actual)	FY15 (Actual)	FY14 (Actual)
Operating Income	Rs. Cr.	40.82	15.76	35.68
EBITDA	Rs. Cr.	4.73	2.36	3.10
PAT	Rs. Cr.	0.85	0.66	1.23
EBITDA Margin	(%)	11.59	14.99	8.68
PAT Margin	(%)	2.09	4.20	3.44
ROCE	(%)	6.47	5.95	22.72
Total Debt/Tangible Net Worth	Times	0.41	0.55	0.47
PBDIT/Interest	Times	7.96	6.81	5.07
Total Debt/PBDIT	Times	1.38	3.25	2.11
Gross Current Assets (Days)	Days	98	161	165

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

Not Applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument
<https://www.smerra.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
28-Feb-2017	Cash Credit	Long Term	5.00	SMERA BB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	SMERA A4+ (Reaffirmed)
20-Nov-2015	Cash Credit	Long Term	5.00	SMERA BB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	SMERA A4+ (Reaffirmed)
08-Dec-2014	Cash Credit	Long Term	5.00	SMERA BB / Stable (Assigned)
	Bank Guarantee	Short Term	10.00	SMERA A4+ (Assigned)

***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 BB / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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