

Press Release

Smartgen Infra Private Limited

December 31, 2018



Rating Upgraded

Total Bank Facilities Rated	Rs.79.00 crore
Long Term Rating	ACUITE BB/ Stable (Upgraded from ACUITE BB-/Stable)
Short Term Rating	ACUITE A4+ (Reaffirmed)

Rating Rationale

Acuité has upgraded the long term rating of '**ACUITE BB**' (**read as ACUITE double B**) and reaffirmed the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.79.00 crore bank facilities of Smartgen Infra Private Limited (SIPL). The outlook is '**Stable**'.

Smartgen Infra Private Limited was incorporated in 2013 by Mr. Murali Barathwaj and Mr. S Ranjith Reddy. It started commercial operations in 2013 with import and trading of thermal coal. Currently, they are into water infrastructure, PCCP/BWC pipes distribution, civil construction work, IT peripherals (SCADA) along with trading of thermal coal.

The upgrade is in view of an improvement in its business risk profile marked by a healthy order book position of Rs. 565.73 crore thereby lending comfortable revenue visibility over the medium term. The rating also factors in improvement in its financial risk profile marked by improvement in net worth to Rs.21.31 crore in FY2018 from Rs.18.01 crore in the previous year, improvement in gearing to 0.93 times in FY2018 as compared to 1.30 times in previous year and also improvement in debt protection metrics marked by healthy interest coverage ratio (ICR) of 4.98 times and debt service coverage ratio (DSCR) of 2.79 times in FY2018 respectively.

Analytical Approach:

Acuité has taken a standalone view of the business and financial risk profile of SIPL to arrive at the rating.

Key Rating Drivers:

Strengths

Average financial risk profile

SIPL's above average financial risk profile is marked by moderate net worth of Rs.21.31 crore in FY2018 as it has increased from Rs.18.01 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood comfortable at 0.93 times in FY2018, an improvement from 1.30 times in FY2017, this improvement in gearing is mainly on account of increase in net worth. The total outside liability to tangible net worth (TOL/TNW) stood high at 4.98 times in FY2018 as compared to 3.72 times in the previous year. The interest Coverage Ratio (ICR) of the company stood comfortable at 4.98 times in FY2018 as compared to 8.82 times in the previous year. Debt Service Coverage Ratio (DSCR) stood healthy at 2.79 times in FY2018 as compared to 6.62 times in previous year. Net cash accrual to total debt stood comfortable at 0.22 times in FY2018 as compared to 0.11 times in the previous year.

Healthy order book

The company has healthy order book of Rs.565.73 crore as on date, which is expected to be executed by 31 March, 2021. This will give the revenue visibility over the medium term. The company has received L1 for 'Technical Feasibility study and underground coal gasification pilot project' of Rs.234.75 crore.

Weaknesses

Working capital intensive nature of operation

SIPL's operations are working capital intensive by nature as marked by Gross Current Asset (GCA) of 155 days in FY2018 as compared to 159 days in FY2018. This necessitates working capital requirement as major funds get blocked in debtors. Debtor days stood at 125 and 115 days respectively in FY 2018 and in FY 2017.

Moderate profitability

Operating margins increased marginally and stood at 2.92 percent in FY 2018 as compared to 2.48 percent in FY2017. Net profitability stood moderate at 1.34 percent in FY2018 as against of 1.21 percent in FY2017.

Outlook: Stable

Acuité believes that SIPL will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience and established relations with customers. The outlook may be revised to 'Positive' if the company registers more than expected revenues while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenue or the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	245.38	159.34	157.70
EBITDA	Rs. Cr.	7.17	3.95	3.68
PAT	Rs. Cr.	3.30	1.93	1.92
EBITDA Margin	(%)	2.92	2.48	2.34
PAT Margin	(%)	1.34	1.21	1.22
ROCE	(%)	15.60	10.38	13.40
Total Debt/Tangible Net Worth	Times	0.93	1.30	0.66
PBDIT/Interest	Times	4.98	8.82	9.46
Total Debt/PBDIT	Times	2.59	5.64	2.48
Gross Current Assets (Days)	Days	155	159	238

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trade Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
04-Apr-2018	Cash Credit	Long Term	3.00	ACUITE BB- (Indicative)
	Letter of Credit	Short Term	16.00	ACUITE A4+ (Indicative)
09-Feb-2017	Cash Credit	Long Term	3.00	ACUITE BB-/Stable (Assigned)
	Letter of Credit	Short Term	16.00	ACUITE 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	8.00	ACUITE BB/ Stable (Upgraded from ACUITE BB-/Stable)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	51.00	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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