

October 30, 2013

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00*	SMERA BBB-/Stable (Assigned)
Bank Guarantee	41.00^	SMERA A3 (Assigned)
Proposed Long/ Short Term facilities	32.00	SMERA BBB-/Stable/SMERAA3 (Assigned)

* Fully interchangeable with Letter of credit

^ Interchangeable with Letter of credit of Rs. 8.00 crore

SMERA has assigned ratings of '**SMERA BBB-**' (read as **SMERA Triple B Minus**) and '**SMERA A3**' (read as **SMERA A Three**) to the Rs.75.00 crore bank facilities of SSG Infratech Private Limited (SSG). The outlook is '**Stable**'. The ratings are supported by the company's healthy financial profile, strong execution capability, diversified project mix, healthy order book position and experienced management. However, the ratings constrained by the company's high dependence on government orders and working capital funds. The ratings are also constrained by the delays and execution risks associated with the company's projects.

SSG is a Noida-based company engaged in undertaking civil and electrical work contracts for government agencies. SSG has a healthy financial profile with strong DSCR of 2.35 times, low inventory holding period of 14 days (average for the last three years) and high ROCE of 29 per cent for FY2012-13 (refers to financial year, April 01 to March 31). The company has demonstrated a strong execution capability by completing orders worth Rs.680 crore over the last five years. SSG benefits from its well-established customer relationships with various government entities. SSG's ratings derive comfort from the price escalation clause included in the company's contract agreements. The company has pending orders worth ~Rs. 230 crore. SSG registered operating income of Rs.208.63 crore in FY2011-12. The company has an experienced management team. Mr. Harjit Singh, Director of SSG, is a civil engineer with over two decades of experience in civil construction.

SSG's ratings are constrained by the company's high dependence on government orders. The company executes contracts awarded by the central and state government departments only. In FY2012-13, the company registered a 44 per cent decline in total revenues on account of slowdown in the infrastructure sector. Moreover, SSG is susceptible to various project execution risks arising due to site-related issues. The company's working capital requirements are likely to increase in case of delays in revenue receipt or in case of any further hurdles in executing the ongoing projects. The ratings are further constrained by the company's stretched receivables position arising due to delays in work certification. Moreover, approximately 5-10 per cent of the total contract value is held as retention money and released only after commissioning of the entire project.

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Outlook: Stable

SMERA believes SSG's outlook will remain 'Stable' over the medium term on the back of the company's healthy order book position, experienced management and long-standing relationships with customers. The outlook may be revised to 'Positive' in case the company generates healthy cash flows through successful execution of larger projects while achieving efficient working capital management. Conversely, the outlook will be revised to 'Negative' in case of a further stretch in the company's liquidity position or in case of delays in project execution.

About the company

SSG, incorporated in 2004, is a Noida-based civil and electrical work contracting company promoted by Mr. Harjit Singh Sahani.

SSG is engaged in executing various infrastructure projects including installation and commissioning of electrical substations, water treatment plants, sewer treatment plants, canal work and lake development. The company is a registered Class 'A' vendor with several government and statutory bodies.

SSG booked PAT of Rs.5.07 crore on revenues of Rs.121.87 crore in FY2012-13. SSG's net worth stood at Rs.28.00 crore as on March 31, 2013.

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