



SMERA RATINGS LIMITED

SSG Infratech Private Limited (SSG)**Rating
Rationale****July 04, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00*	SMERA BB+/Stable (downgraded from SMERA BBB-/Stable)
Bank Guarantee	48.00^	SMERA A4+ (downgraded from SMERA A3)
Proposed Cash Credit	13.00	SMERA BB+/Stable (downgraded from SMERA BBB-/Stable)
Proposed Bank Guarantee	12.00	SMERA A4+ (downgraded from SMERA A3)

* Fully interchangeable with letter of credit

^Interchangeable to the extent of Rs.8.00 crore with letter of credit

SMERA has downgraded the bank loan ratings of SSG Infratech Private Limited (SSG) to '**SMERA BB+/Stable/SMERA A4+**' from '**SMERA BBB-/Stable/SMERA A3**'. The downgrade reflects diversion of funds from the company to group entities. The ratings remain constrained by the company's high dependence on infrastructure projects awarded by the government. However, the ratings continue to draw comfort from the company's healthy revenue growth, stable net profit margin and strong project execution capability. The ratings also draw comfort from the company's healthy order book position and experienced management.

SSG's net worth stood at Rs.33.46 crore (provisional) as on March 31, 2014. The company has diverted funds by giving loans and advances of Rs.19.50 crore (provisional amount as on March 31, 2014) to its group entities, which are engaged in real estate development. SSG is highly dependent on government orders; the company's operations are thus susceptible to inherent delays in infrastructure development projects.

SSG's operating income increased from Rs.121.87 crore in FY2012-13 to Rs.172.61 crore in FY2013-14 (provisional), a growth of ~42 per cent. The company reported net profit margin of 3.66 per cent (provisional) in FY2013-14, as compared with net profit margin of 3.47 per cent in FY2012-13. SSG has demonstrated strong project execution capability by completing orders of ~Rs.852 crore over the last five years. The company benefits from its established relations with various state government entities. SSG has pending orders of ~Rs.334 crore as on April 30, 2014. The company benefits from its experienced management. Mr. Harjit Singh, director of SSG, is a civil engineer with around two decades of experience in the civil construction industry.

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Outlook: Stable

SMERA believes SSG will maintain a stable business risk profile over the medium term. The company is likely to benefit from its healthy order book position, experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the company generates healthy cash flows from operations while achieving efficient working capital management. Conversely, the outlook will be revised to 'Negative' in case of further deterioration in the company's financial risk profile on account of sustained financial support (by way of loans and advances) to group entities.

About the company

SSG, incorporated in 2004, is a Noida-based company promoted by Mr. Harjit Singh Sahani. SSG is engaged in undertaking civil and electrical contracts. The company's project mix includes installation and commissioning of electrical substations, water treatment plants, sewer treatment plants, canal work and lake development. SSG is a registered 'Class A' vendor with several state government and statutory bodies.

For FY2013-14 (as per provisional financial statements), SSG registered profit after tax (PAT) of Rs.6.32 crore on revenues of Rs.172.61 crore, as compared with PAT of Rs.4.22 crore on operating income of Rs.121.87 crore for FY2012-13. SSG's net worth stood at Rs.33.46 crore as on March 31, 2014, as compared with Rs.27.15 crore a year earlier.

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