

September 17, 2013

Facilities	Amount (Rs. Crores)	Ratings
Cash Credit	20.0	SMERA B /Stable/Assigned
Bank Guarantee	80.0	SMERA A4 /Assigned

SMERA has assigned ratings of '**SMERA B** (read as SMERA single B)' to the Rs.20.0 crores long term bank facilities (fund based) and '**SMERA A4**' (read as SMERA A four) to the Rs.80.0 crores short term bank facilities (non-fund based) of Shipra Infratech Private Limited (SIPL). The outlook is '**Stable**'. The ratings are constrained by the company's nascent stage of operations and moderate financial risk profile. However, the ratings are supported by the company's experienced management, healthy revenue visibility.

SIPL, incorporated in 2011, commenced operations in FY2012-13 (refers to financial year, April 01 to March 31). The company undertakes civil work and engineering, procurement and construction (EPC) projects related to infrastructure development. SIPL has a healthy order book of about Rs.165 crores, which is likely to be executed over the next two years. SIPL is in the nascent stage of operations and is thus yet to demonstrate the ability to ramp up operations, execute projects and realize debtors in a timely manner. SMERA believes that SIPL's credit risk profile will continue to remain constrained over the near term on account of the company's limited operational track record in the infrastructure sector.

SIPL has a moderate financial risk profile marked by modest net worth of about Rs.1.42 crores. The company has unsecured loans worth Rs.4.00 crores (as on March 31, 2013) advanced by promoters. Although SIPL has high leverage at 2.97 times as on March 31, 2013, most of the debt comprises unsecured loans from promoters and group entity. SIPL's financial risk profile is expected to improve upon fresh equity infusion and the expected conversion of unsecured loans to equity, which is likely to enhance the company's total net worth to Rs.10.00 crores in FY2013-14. SIPL's financial risk profile will remain contingent on the working capital management over the medium term. The company may resort to higher bank borrowings in case of a stretch in the working capital cycle.

SIPL has an experienced management team. Mr. Dinesh Khare, Managing Director of SIPL, has about four decades of experience encompassing various facets of the infrastructure sector. Over the years, Mr. Dinesh Khare has developed strong relationships with large infrastructure players, suppliers and government departments.

SMERA believes that SIPL's experienced management will be instrumental in helping the company develop strong associations with key players in the infrastructure sector.

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Despite the nascent stage of operations, SIPL has already received confirmed orders worth about Rs.165 crores as on August 31, 2013, executable over the next two years. Thus, the company has good revenue visibility over the medium term. SIPL is also bidding for other projects estimated to have a combined value around Rs.700 crores.

SIPL has entered into technical collaborations with various industry majors including Maccaferri Environ. Sol. (Italy), Sanjose Group (Spain), JKM Infra (India) and ECM Infra (India). SMERA believes that such collaborations with established infrastructure companies will help SIPL to enhance its project execution capability and bid for government projects.

Outlook: Stable

SMERA believes that over the medium term, SIPL will continue to benefit on the back of its healthy revenue visibility reflected in the strong order book position. The outlook may be revised to 'Positive' in case the company books higher-than-expected revenues and net cash accruals while executing projects on time. Conversely, the outlook may be revised to 'Negative' in case of delays in project execution, stretch in working capital cycle, or larger-than-expected debt-funded capital expenditure.

About the company

SIPL, incorporated in 2011, is a Delhi-based company involved in undertaking civil work and EPC contracts related to infrastructure development. Mr. Mohit Singh, Promoter of SIPL, holds 50 per cent stake in the company while the remaining stake is held by Shipra Estates Limited (SEL), a group entity engaged in real estate development.

SIPL's overall operations are managed by Mr. Dinesh Khare, having about four decades of experience in the infrastructure industry. SIPL commenced commercial operations in the second quarter of FY2012-13 and FY2013-14 is the company's first full year of operations.

As per the provisional financials of FY2012-13, SIPL reported net loss of Rs.0.01 crores on operating income of Rs.8.01 crores.

Contact List

Media/ Business Development	Analytical Contacts	Rating Desk
Sanjay Kher Head, Sales, Corporate Ratings Tel : +91 22 6714 1193 Cell : +91 98191 36541 Email : sanjay.kher@smera.in Web: www.smera.in	Umesh Nihalani Head, Corporate Ratings Tel: +91-22-6714 1106 Email: umesh.nihalani@smera.in Web: www.smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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