



SMERA RATINGS LIMITED

Shipra Infratech Private Limited (SIPL)

Rating Rationale

October 31, 2014

| Facilities | Amount (Rs. Crore) | Ratings |
|----------------|--------------------|------------------------------|
| Cash Credit | 20.00 | SMERA B/ Stable (Reaffirmed) |
| Bank Guarantee | 80.00 | SMERA A4 (Reaffirmed) |

SMERA has reaffirmed the rating of '**SMERA B**' (read as **SMERA single B**) on the Rs.20.00 crore long-term bank facility and '**SMERA A4**' (read as **SMERA A four**) on the Rs.80.00 crore short-term bank facility of Shipra Infratech Private Limited (SIPL). The outlook is '**Stable**'. The ratings remain constrained by the company's moderate operating scale, working capital-intensive operations and moderate financial risk profile. However, the ratings are supported by the company's experienced management.

Update

SIPL reported revenues of Rs.45.55 crore in FY2013-14 (refers to financial year, April 01 to March 31), as compared with revenues of Rs.10.48 crore in FY2012-13. The company's revenues missed expectations on account of delays in execution of projects. SMERA believes SIPL's revenues will continue to grow over the medium term on the back of new orders received by the company. SIPL's operating profit margin increased from 11.23 per cent in FY2012-13 to 12.05 per cent in FY2013-14. The company's operating margins are expected to remain moderate going forward.

SIPL's operations are working capital-intensive. The company's gross current assets (GCA) stood at 318 days in FY2013-14, as compared with 370 days in FY2012-13. SIPL's high working capital requirements can be attributed to significant amount (~Rs.23 crore) of unbilled revenues receivables as on March 31, 2014. The company's ability to expand its scale of operations and achieve efficient working capital management is a key rating sensitivity.

SIPL's moderate financial risk profile is marked by modest net worth of Rs.3.86 crore and high gearing (debt-equity ratio) of 6.87 times as on March 31, 2014. However, the company's financial risk profile is partially supported by interest-free unsecured loans of Rs.4.50 crore (as on March 31, 2014) from directors. SIPL's interest coverage ratio is moderate at 2.10 times in FY2013-14. SMERA believes SIPL will register moderate improvement in its financial risk profile with the expected increase in net worth on account of accretion to reserves and expected conversion of unsecured loans to equity.

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Outlook: Stable

SMERA believes SIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash

accruals with improvement in working capital management. The outlook may be revised to 'Negative' in case of delays in project execution, or in case of deterioration in the company's financial profile on account of stretch in working capital cycle, significant diversion of funds to group entities, or higher-than-expected debt-funded capex.

About the company

SIPL, incorporated in 2011, is a Delhi-based company engaged in undertaking civil work and EPC contracts related to infrastructure development. The overall operations of the company are managed by Mr. Dinesh Khare, who has around 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.

For FY2013-14, SIPL reported net profit of Rs.1.82 crore on total income of Rs.45.55 crore, as compared with net profit of Rs.0.61 crore on total income of Rs.10.48 crore in FY2012-13. The company's net worth stood at Rs.3.86 crore as on March 31, 2014

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