



September 21, 2010

ICRA revises Sagar Infra Rail International Limited long-term rating to LB+ and the short-term rating to A4

ICRA has revised the rating assigned to Rs 42 crore¹ fund based limits of Sagar Infra Rail International Limited (SIRIL) from LBBB- (pronounced as L triple B minus) to LB+ (pronounced as L B plus)[†]. ICRA has also revised the rating assigned to the Rs 52 crore non-fund based limits of SIRIL from A3 (pronounced as A three) to A4 (pronounced as A four)[†].

The ratings revision takes into account significant delays in debt servicing by SIRIL in the recent past mainly on account of the delays in realization of payments for projects executed by the company in Dubai. ICRA has also taken note of the several large projects targeted by the company in Middle East region based on its credentials of having successfully completed two large projects in Dubai in the recent past. While this should provide SIRIL with an opportunity to grow at an accelerated rate, it will also expose the company to the execution and financial risks associated with the fast growth plans. Although the company has taken up various measures to mitigate the risk, effective implementation of the plans still remains to be seen. Besides, the company's risk profile continues to be adversely impacted by its relatively high gearing levels and its high working capital intensity which limits its cash flows from operations. However, the ratings derive comfort from SIRIL's long track record in railway track welding works, its demonstrated capability to execute new type of projects in totally new geographies which has also enabled it to diversify operationally and geographically, and its current healthy order book position.

Company Profile

SIRIL was acquired by Mr. K. U. Reddy and his parents in 1984 and was subsequently converted from a partnership firm to a public limited company in FY2001. The company was earlier primarily involved in the welding of rail tracks. However since last few years, the company has diversified into other civil construction activities including earth-moving, laying railway tracks, construction of roads and small bridges, pipe laying, building construction etc. Recently SIRIL has also expanded its operations in Middle East region by executing two large projects in Dubai.

Recent Results

SIRIL posted a Profit after Tax (PAT) of Rs.16.13 crore on a turnover of Rs. 354.15 crore during FY2010 as compared with a PAT of Rs 8.77 crore on a turnover of Rs.229.42 crore during FY2009.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.