

September 02, 2014

Facilities	Amount (Rs. Crore)	Ratings
Overdraft (Title Deed)	6.00	SMERA BBB-/Stable (Assigned)
Overdraft (Book Debts)	3.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	2.00	SMERA A3 (Assigned)

SMERA has assigned ratings of '**SMERA BBB-**' (read as SMERA triple B minus) and '**SMERA A3**' (read as SMERA A three) to the abovementioned bank facilities of P. Manickam & Co. The outlook is '**Stable**'. The ratings are supported by the firm's established track record of operations, experienced management, healthy financial risk profile and efficient working capital management. The ratings are also supported by the firm's long-standing relations with customers. The ratings draw comfort from the in-built price escalation clause in the contracts undertaken by the firm. However, the ratings are constrained by the firm's moderate scale of operations. The ratings are also constrained by the firm's high dependence on tender-based orders in an intensely competitive segment of the civil construction industry.

P. Manickam & Co., established in 1972, is a Chennai-based partnership firm engaged in undertaking civil construction contracts awarded by Tamil Nadu Public Works Department (PWD), Central Public Works Departments (CPWD) and private entities. P. Manickam & Co. benefits from its experienced management. The partners of the firm have around three decades of experience in the civil construction industry.

P. Manickam & Co.'s healthy financial risk profile is reflected in low gearing (debt-to-capital ratio) of 0.63 times as on March 31, 2014. The firm's strong coverage indicators are evidenced by interest coverage ratio (ICR) of 5.40 times and debt service coverage ratio (DSCR) of 3.57 times in FY2013-14 (refers to financial year, April 01 to March 31). P. Manickam & Co. has efficient working capital management. The firm collects dues from customers within 60 days, while payments to creditors are made within 90-100 days. P. Manickam & Co.'s utilisation of overdraft limit is thus moderate at ~72.52 per cent during February 2014 to July 2014. The firm benefits from its established relations of around four decades with Tamil Nadu PWD and CPWD.

P. Manickam & Co.'s contracts have an in-built price escalation clause, which shields the firm from large variations in prices of raw materials. The firm has maintained its operating profit margins in the range of 7 per cent to 10 per cent during the past five years.

P. Manickam & Co.'s moderate operating scale is reflected in revenues of Rs.75.40 crore in FY2013-14. The firm is highly dependent on tender-based orders procured through an intensely competitive bidding process.

Outlook: Stable

SMERA believes P. Manickam & Co. will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while achieving improvement in debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the firm's financial risk profile.

About the firm

P. Manickam & Co., established in 1972, is a Chennai-based partnership firm founded by Mr. P. Manickam and Mr. Jayavel. The current ownership of the firm is vested with Mr. Palani, Mr. Nagarajan, Mr. Padmanaban, Mr. Sivaraj and Mr. J. Dinesh (sons and grandsons of the founding partners).

P. Manickam & Co. is a Class-I contractor registered with the Tamil Nadu Public Works Department (PWD) and Central Public Works Departments (CPWD). The firm undertakes construction activity, interior work, pile foundation and road works.

For FY2012–13, P. Manickam & Co. reported profit after tax (PAT) of Rs.2.56 crore on operating income of Rs.68.69 crore, as compared with PAT of Rs.3.22 crore on operating income of Rs.63.10 crore in FY2011–12. For FY2013–14 (as per provisional financial statements), the firm reported PAT of Rs.3.78 crore on operating income of Rs.75.40 crore. P. Manickam & Co.'s net worth stood at Rs.15.79 crore (provisional) as on March 31, 2014, as compared with Rs.15.01 crore a year earlier.

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