

November 27, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA B+/Stable (Reaffirmed)
Term Loan	0.195	SMERA B+/Stable (Reaffirmed)
Bank Guarantee	4.00	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the ratings of '**SMERA B+**' (read as SMERA B plus) and '**SMERA A4**' (read as SMERA A four) on the Rs.9.195 crore bank facilities of Competent Construction Company (CCC). The outlook is '**Stable**'.

The ratings continue to draw comfort from the firm's experienced management. However, the ratings are constrained by the firm's small-scale of operations and moderate financial risk profile in an intensely competitive segment of the civil construction industry.

Update

CCC reported operating margin of 8.55 percent in FY2014-15 (refers to financial year, April 01 to March 31), as compared with 5.44 percent in the previous year. The firm's net profit margins improved to 3.08 percent in FY2014-15 from 2.42 per cent in FY2013-14 while the gearing level has been low at 0.93 times in FY2014-15 as compared to 1.69 times in FY2013-14. The interest coverage of the firm stood moderate at 2.35 times in FY2014-15 as compared to 2.47 times in FY2013-14. The firm has no plans for any debt funded capex in the near future.

Outlook: Stable

SMERA believes CCC will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' if the firm registers lower-than-expected growth in revenue and profitability or deterioration in the financial risk profile.

Rating Sensitivity Factors

- Scaling up of operations while maintaining profit margins
- Deterioration of gearing level
- Diversification of contract mix

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About the Firm

The Delhi-based proprietorship firm CCC established in 1990 was promoted by Mr. Satya Pal Gupta and undertakes contracts for construction of roads, buildings, bridges among others.

For FY2014–15, CCC reported profit after tax (PAT) of Rs.0.50 crore on total operating income of Rs.16.31 crore, as compared with PAT of Rs.0.55 crore on total operating income of Rs.22.82 crore in FY2013–14.

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