

### Competent Construction Company: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.00	SMERA B+/Stable (Reaffirmed)
Term Loan	0.14	SMERA B+/Stable (Reaffirmed)
Bank Guarantee	4.00	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the long-term rating of **'SMERA B+' (read as SMERA B plus)** and short term rating of **'SMERA A4' (read as SMERA A four)** on the above mentioned bank facilities of Competent Construction Company (CCC). The outlook is **'Stable'**.

The ratings continue to be constrained by the small scale of operations, declining revenues and working capital intensive operations. However, the ratings continue to draw support from the experienced management and above average financial risk profile.

#### Update

CCC undertakes contracts for construction of roads, buildings and bridges. The firm has small scale of operations marked by operating income of Rs.6.47 crore in FY2015-16 as compared to Rs.16.29 crore in FY2014-15. Further, the GCA days are high at 369 days in FY2015-16 as against 212 days a year earlier. The creditor days stood at 420 days in FY2015-16 as against 208 days in FY2014-15.

However, the ratings continue to draw support from the experienced management. Mr. Satya Pal Gupta, the proprietor, possesses experience of around two decades in the construction business. The ratings take into account the above average financial risk profile of the firm marked by low gearing, high coverage indicators and moderate profitability. The gearing stood at 0.45 times in FY2015-16 as compared to 0.93 times a year earlier. The coverage ratio stood at 5.64 times in FY2015-16 as against 2.36 in FY2014-15. The net profit margin of the firm stood at 6.13 per cent in FY2015-16 as against 3.08 per cent in FY2014-15.

#### Rating Sensitivity Factors

- Sustained growth in revenue
- Movement in profitability profile
- Movement in the debt-equity ratio

#### Outlook-Stable

SMERA believes that CCC will continue to maintain a stable outlook 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' in case of failure to obtain tenders affecting the top line or in case of deterioration in the firm's financial risk profile.

#### About the Firm

CCC, a Delhi-based proprietorship firm, executes civil work for construction of roads, buildings and bridges among others for the Delhi government through bidding of tenders. The firm was promoted by Mr. Satya Pal Gupta, the proprietor.

For FY2015-16, the firm reported PAT (profit after tax) of Rs.0.40 crore on operating income of Rs.6.47 crore, as compared with PAT of Rs.0.50 crore on operating income of Rs.16.29 crore in FY2014-15. The net worth stood at Rs.3.41 crore as on March 31, 2016 against Rs.3.71 crore a year earlier.

#### Rating History:

Date	Facilities	Amount (in Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
27 Nov, 2015	Cash Credit	5.00	SMERA B+ (Reaffirmed)	-	Stable
	Term Loan	0.195	SMERA B+ (Reaffirmed)	-	Stable
	Bank Guarantee	4.00	-	SMERA A4 (Reaffirmed)	-
03 Sept, 2014	Cash Credit	5.00	SMERA B+ (Assigned)	-	Stable
	Term Loan	0.195	SMERA B+ (Assigned)	-	Stable
	Bank Guarantee	4.00	-	SMERA A4 (Assigned)	-

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#### ABOUT SMERA

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