

November 05, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA B+/Stable(Assigned)
Bank Guarantee	2.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA single B plus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.7.00 crore bank facilities of Choudhari Construction Company (CCC). The outlook is '**Stable**'. The ratings are constrained by the firm's small scale of operations in an intensely competitive segment of the civil construction industry. The ratings are also constrained by the firm's exposure to geographical concentration risk. The ratings note that the firm is highly dependent on orders received from government entities. The ratings also factor in risks inherent in the partnership constitution of the firm. The rating is also constrained due to working capital intensive operations. However, the ratings are supported by the firm's long track record of operations, moderate financial profile and experienced management.

CCC, established in 1983, is a Mumbai-based partnership firm engaged in undertaking construction and infrastructure development projects related to sewerage work, drainage work, roads and buildings. CCC has small-scale operations with revenues of Rs.9.57 crore (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). The firm operates in a highly competitive segment of the civil construction industry. The firm's presence majorly restricted to Mumbai. CCC is highly dependent on orders received from government entities. The firm's partnership structure drives a risk of withdrawal of capital. The firm's liquidity profile is thus susceptible to delays in receipt of payments from government.

CCC's moderate financial profile is marked by net profit margin of 5.70 per cent (provisional) in FY2013-14 (refers to financial year, April 01 to March 31) and leverage of 1.45 times (provisional) as on March 31, 2014. The firm's comfortable coverage indicators are reflected in interest coverage ratio of 3.43 times (provisional) and debt service coverage ratio (DSCR) of 2.79 times (provisional) in FY2013-14.

CCC benefits from its experienced management. Mr. Hamirram Choudhari, managing partner of CCC, has around three decades of experience in the civil construction industry.

Outlook: Stable

SMERA believes CCC will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and moderate financial profile. The outlook may be revised to 'Positive' in case the firm generates healthy cash flows while achieving

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efficient working capital management. The outlook may be revised to 'Negative' in case of stretch in the firm's liquidity position, or in case of delays in execution of projects undertaken by the firm.

About the firm

CCC was established in the year 1983, is a Mumbai-based partnership firm promoted by Mr. Hamirram Choudhari and Mrs. Ratanben Choudhari (wife of Mr. Hamirram Choudhari). CCC undertakes infrastructure-related construction contracts awarded by various government entities including Brihanmumbai Municipal Corporation (BMC), Mumbai Metropolitan Regional Development authority (MMRDA) and Public Works Department (PWD).

For FY2013-14 (as per provisional financial statements), CCC reported profit after tax (PAT) of Rs.0.56 crore on revenue of Rs.9.57 crore, as compared with PAT of Rs.0.25 crore on revenue of Rs.9.76 crore in the previous year. CCC's net worth stood at Rs.4.18 crore (provisional) as on March 31, 2014, as compared with Rs.2.42 crore a year earlier.

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