

April 27, 2015

Facilities	Amount (Rs. Crore)	Ratings
Secured Overdraft	0.50	SMERA BB/Stable (Assigned)
Letter of Guarantee	15.00	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (**read as SMERA double B**) and a short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.15.50 crore bank facilities of Sharad Constructions Private Limited (SCPL). The outlook is '**Stable**'. The ratings are constrained by the company's moderate scale of operations. The ratings note that the company is exposed to client concentration risk. The ratings are also constrained by the company's tender-based business. The aforementioned weaknesses are partially offset by the company's healthy financial risk profile and experienced management.

SCPL, incorporated in 1985, is a Mumbai-based company engaged in undertaking civil construction work. SCPL also undertakes industrial and residential construction projects. The company has moderate-scale operations marked by total income of Rs.36.14 crore in FY2013-14 (refers to financial year, April 01 to March 31). SCPL is highly dependent on tender-based orders procured through a highly competitive bidding process.

SCPL's healthy financial risk profile is marked by low gearing (debt-equity ratio) of 0.19 times as on March 31, 2014 and comfortable interest coverage ratio of 3.95 times in FY2013-14. The company registered strong operating cash flows of Rs.3.89 crore in FY2013-14. SCPL benefits from its experienced management. Mr. Chandrakant Mehtalia, promoter of SCPL, has around five decades of experience in the construction business. Mr. Vatsal Mehtalia (grandson of Mr. Chandrakant Mehtalia) has joined the family business last year.

Outlook: Stable

SMERA believes SCPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues while achieving significant improvement in profitability. The outlook may be revised to 'Negative' in case of decline in the company's profitability, or in case of stretch in the company's working capital cycle.

About the company

SCPL, incorporated in 1985, is a Mumbai-based company promoted by Mr. Chandrakant Mehtalia. SCPL was established to take over the running business of 'Sharad Construction', a proprietorship

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concern set up in 1961. SCPL undertakes civil and industrial construction work. The company mainly caters to pharmaceutical units.

For FY2013–14, SCPL reported net profit of Rs.1.00 crore on operating income of Rs.36.14 crore, as compared with net profit of Rs.0.76 crore on operating income of Rs.50.00 crore in FY2012–13. SCPL's net worth stood at Rs.17.22 crore as on March 31, 2014, as compared with Rs.16.26 crore a year earlier.

Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in	Shripad Nande Manager – Corporate Ratings Tel: +91-22-6714 1329 Email: shripad.nande@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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