SMERA RATINGS LIMITED

Sumaja Electroinfra Private Limited: Upgraded

Name of the Instruments	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	2.00	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Bank Guarantee	10.00	SMERA A4 (Reaffirmed)
Cash Credit (Proposed)	5.00	SMERA BB-/Stable (Assigned)
Bank Guarantee (Proposed)	10.00	SMERA A4 (Assigned)

SMERA has upgraded the long term rating of the Rs.2.00 crore bank facility of Sumaja Electroinfra Private Limited (SEPL) to **'SMERA BB- (read as SMERA double B minus)** from SMERA B+/Stable (read as SMERA B plus) and reaffirmed the short term rating of **'SMERA A4' (read as SMERA A four)** on the Rs.10.00 crore bank facility. Further, SMERA has also assigned long term rating of **'SMERA BB- (read as SMERA double B minus)** on the Rs. 5.00 crore bank facility and short term rating of **'SMERA A4' (read as SMERA A four)** on the Rs.10.00 crore bank facility of SEPL. The outlook continues to remain '**Stable**'.

The rating upgrade is in view of healthy growth in the operating income. The company registered compounded annual growth rate (CAGR) of 49.4 per cent over the last five years ended FY2014-15 owing to diversification in operations from trading to undertaking electrification work for state government. The rating upgrade also factors in moderate interest coverage indicators and adequate cushion in fund based limits.

The company has interest bearing unsecured loans from promoters, friends and relatives worth Rs. 3.73 crore in FY2014-15 that are subordinated to bank debt and will remain in the business over the medium term. SMERA has treated such unsecured loan as quasi-equity.

The rating continues to derive comfort from the experienced management, moderate financial risk profile and strong order book position. However, the ratings are constrained by the company's low profitability, intense competition amidst the tender-based business.

Update

SEPL, established in 2005, is a Delhi-based company that undertakes turnkey projects related to electrification and civil construction work for government entities. The company is also engaged in the trading of stationery items.

SEPL, reported profit after tax (PAT) of Rs.0.29 crore on operating income of Rs.66.37 crore in FY2014–15 (refers to financial year, April 01 to March 31) as compared with profit after tax (PAT) of Rs.0.15 crore on operating income of Rs.22.86 crore in the previous year. SEPL's net cash accruals (NCA) improved to Rs.0.53 crore in FY2015, as compared with Rs.0.22 crore a year earlier. SEPL has a strong order book position, as reflected in the pending orders of ~Rs.70.00 crore, which are likely to be executed in FY2016–17. The company's financial risk profile is marked by moderate gearing (debt-equity ratio) of 0.51 times as on March 31, 2015 and moderate interest coverage ratio of 2.52 times in FY2014–15.

The company is promoted by Mr. Brijesh Kumar Panday and Mr. Anil Chauhan, who have around 10 years of experience in the construction industry. SEPL faces intense competition in bidding for tenders.

Outlook- Stable

SMERA believes the outlook on SEPL's rated facilities will remain stable over the medium term on the back of the company's experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and net cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected net cash accruals, or in case of deterioration in the company's financial profile on account of stretch in working capital management or larger-than-expected debt-funded capital expenditure.

Rating Sensitivity Factors

- Efficient working capital management
- Substantial and sustainable improvement in revenue and profitability profile

About the Company

SEPL, incorporated in 2005, is a Delhi-based company promoted by Mr. Brijesh Kumar Panday and Mr. Anil Chauhan. The company undertakes turnkey projects related to electrification and civil construction work for government entities and also trades in stationery items.

SEPL reported profit after tax (PAT) of Rs.0.29 crore on operating income of Rs.66.37 crore for FY2014–15, as compared with PAT of Rs.0.15 crore on operating income of Rs.22.86 crore for FY2013–14. The company's net worth stood at Rs.5.31 crore (including unsecured loan of Rs.3.73 crore) as on March 31, 2015, as compared with Rs. 5.25 crore (including unsecured loan of Rs.3.97 crore) a year earlier.

Rating History

Date	Name of the Instrument	Amount (Rs. Crore)	Rating		Rating/Outlook
			Long Term	Short Term	
08 June, 2015	Cash Credit	2.00	SMERA B+	-	Stable
	Bank Guarantee	10.00	-	SMERA A4	-

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ABOUT SMERA

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