

July 17, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loans	0.35	SMERA B/Stable (Assigned)
Overdraft	4.00	SMERA B/Stable (Assigned)
Cheque Purchase	0.50	SMERA B/Stable (Assigned)
Demand Loan	2.00	SMERA B/Stable (Assigned)
Bank Guarantee	0.25	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (read as **SMERA B**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.7.10 crore bank facilities of Sasi Road Finishers & Engineering Contractors (SRFEC). The outlook is '**Stable**'. The ratings are constrained by the low profit margin and stretched liquidity position. The ratings are also constrained by the firm's reduced tangible net worth and high dependence on tender based business. However, the ratings draw comfort from the company's experienced management and moderate debt coverage metrics.

SRFEC, established in 2006, is a Dharmapuri-based partnership firm engaged as Class I Public work department (PWD) contractor in Tamil Nadu and undertakes civil construction of roads and buildings. The firm's operating profit margin declined to 9.42 percent in FY2013-14 (refers to financial year, April 01 to March 31) from 13.64 per cent in FY2012-13 due to increase in raw material and power cost. The firm's liquidity position is stretched reflected by complete utilization of overdraft facility. SRFEC's tangible net worth declined to Rs.3.15 crore in FY2013-14 from Rs.3.98 crore in FY2012-13 due to capital withdrawal. Moreover, the firm's revenue is depends on tender based business from Tamil Nadu PWD.

SRFEC benefits from its experienced management. Mr. Sangeeth Kumar, the managing partner of SRFEC, has around a decades experience in the civil construction business. The firm has moderate interest coverage ratio of 2.85 times in FY2013-14.

Outlook: Stable

SMERA believes SRFEC will maintain a stable business risk profile over the medium term on account of the experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues and profitability while achieving strong improvement in working capital management. The outlook may be revised to 'Negative' in case of decline in the company's revenues and profit margins, or in case of deterioration in the company's financial profile or working capital cycle.

About the Firm

SRFEC, established in 2006, is a Dharmapuri-based partnership firm promoted by Mr. Sangeeth Kumar and Ms. Sasikala. The firm is a Class I PWD contractor in Tamil Nadu and undertakes civil construction of roads and buildings.

For FY2013-14, the firm reported profit after tax (PAT) of Rs.0.83 crore on operating income of Rs.21.75 crore as against PAT of Rs.0.87 crore on operating income of Rs.15.75 crore for FY2012-13. The firm's net worth stood at Rs.3.15 crore as on March, 31, 2014 against Rs.3.98 crore in the previous year.

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