

Sasi Road Finishers & Engineering Contractors: Reaffirmed

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

SMERA has reaffirmed the long term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.7.10 crore bank facilities of Sasi Road Finishers & Engineering Contractors. The outlook is '**Stable**'.

The ratings continue to draw comfort from the firm's experienced management and moderate financial risk profile. However, the ratings remain constrained by the small scale of operations, working capital intensive business and high dependence on tender-based government orders. The ratings also factor in the intensely competitive civil construction industry and risks associated with the partnership constitution of the firm.

Update

The financial risk profile of SRFEC remains moderate marked by comfortable gearing of 1.50 times and interest coverage ratio (ICR) of 2.29 times in FY2014-15. The operations are modest marked by revenue of Rs.10.90 crore in FY2014-15 that registered a decline from Rs.20.95 crore in FY2013-14. Further, the firm has booked revenue of Rs.25.04 crore for FY2015-16 (provisional). The operations are working capital intensive as reflected in its gross current asset days of 241 for FY2014-15.

The ratings factor in the intense competition in the civil construction business and high dependence on tender based orders. Further, the ratings also note the partnership constitution of the firm with inherent risk of capital withdrawal.

Rating Sensitivity Factors

- Increasing scale of operations and profitability
- Efficient working capital management

Outlook-Stable

SMERA believes that SRFEC will 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 sustained growth in revenues and profitability while maintaining better profit margins and improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues and profitability, deterioration in the financial profile or working capital cycle.

About the Firm

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

For FY2014-15 (refers to financial year, April 01 to March 31), SRFEC registered PAT (profit after tax) of Rs.0.43 crore on operating income of Rs.10.90 crore as compared with PAT (profit after tax) of Rs.0.83 crore on operating income of Rs.20.95 crore in FY2013-14.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
17 July, 2015	Term Loans	0.35	SMERA B (Assigned)	-	Stable
	Overdraft	4.00	SMERA B (Assigned)	-	Stable
	Cheque Purchase	0.50	SMERA B (Assigned)	-	Stable
	Demand Loan	2.00	SMERA B (Assigned)	-	Stable
	Bank Guarantee	0.25	-	SMERA A4 (Assigned)	-

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ABOUT SMERA

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