

Press Release

SASI ROAD FINISHERS & ENGINEERING CONTRACTORS

December 27, 2017

Rating Upgraded



Total Bank Facilities Rated*	Rs. 7.10 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has upgraded its long-term rating of '**SMERA B+** (read as SMERA B plus) on the Rs. 6.76 crore bank facilities of Sasi Road Finishers and Engineering Contractors (SRFEC) from '**SMERA B**' (read as SMERA B). Further, SMERA has withdrawn the short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 0.25 crore facilities and assigned long term rating of '**SMERA B+** (read as SMERA B plus) on the Rs. 0.34 crore bank facilities. The outlook is '**Stable**'.

SRFEC is a partnership firm established in 2006 by Mr. Sangeeth Kumar and Ms. Sasikala. The firm is registered as a Class I contractor with PWD, Tamil Nadu and is engaged in the construction of roads and buildings.

Key Rating Drivers

Strengths

Experienced management

The partners Mr. Sangeeth Kumar and Ms. Sasikala have experience of more than a decade in the civil construction business.

Moderate working capital management

The firm's working capital has surged however remains moderate marked by Gross Current Assets of 85 days in 2017 as against 67 days in 2016. The firm maintained inventory of 12 days in FY2017 as against 4 days in FY2016. The debtors stood at 25 days in FY2017 as against 22 days in FY2016.

Weaknesses

Uneven revenue and profitability trend

SRFEC's business risk profile is expected to continue to face risks inherent in the tender based nature of business. The revenue and profitability margins have displayed an uneven trend during the period under study (2016-2017). Revenues declined from Rs. 24.49 crores in FY2016 to Rs. 16.39 crores in FY2017. EBITDA margins declined marginally to 8.39 per cent in FY2017 from 8.76 per cent in FY2016.

Average financial riskprofile

The tangible net worth stood at Rs.4.62 crore as on 31 March, 2017 and Rs. 4.22 crore as on 31 March, 2016. The gearing (debt-to-equity ratio) stood at 1.02x times as on 31 March, 2017 as against 1.00x times as on 31 March, 2016. The total debt of Rs.4.70 crore includes term loan of Rs. 0.16 crore, unsecured loans from directors of Rs. 0.67 crore and short term working capital borrowings of Rs. 3.88 crore as on 31 March, 2017. The Interest coverage ratio (ICR) stood at 2.78x times for FY2017 as against 3.92x times for FY2016. The net cash accruals to total debt (NCA to TD) stood at 0.23x times in FY2017 as against 0.48x times in FY2016.

Presence in a highly competitive industry

The firm faces stiff competition from other organised and unorganised EPC players in the industry.

Tender based nature of business

The nature of business is tender based. Going forward, the firm's ability to bid and win large orders would be a key rating parameter. However, the promoter's experience and relations with clients would partially mitigate this risk.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm.

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 of significant and sustainable growth in revenue and profitability, thus improving the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or deterioration in the financial profile or working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	16.39	24.49	10.90
EBITDA	Rs. Cr.	1.38	2.14	0.56
PAT	Rs. Cr.	0.68	1.54	0.43
EBITDA Margin	(%)	8.39	8.76	5.15
PAT Margin	(%)	4.14	6.27	3.91
ROCE	(%)	19.83	30.64	23.94
Total Debt/Tangible Net Worth	Times	1.02	1.00	1.50
PBDIT/Interest	Times	2.78	3.92	2.29
Total Debt/PBDIT	Times	2.17	1.32	3.55
Gross Current Assets (Days)	Days	85	67	241

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore.)	Ratings/Outlook
27-Dec-2016	Term Loan	Long Term	INR 0.35	SMERA B / Stable (Reaffirmed)
	Overdraft	Long Term	INR 4.00	SMERA B / Stable (Reaffirmed)
	Cheque Purchase	Long Term	INR 0.50	SMERA B / Stable (Reaffirmed)
	Demand Loan	Long Term	INR 2.00	SMERA B / Stable (Reaffirmed)

	Bank Guarantee	Short Term	INR 0.25	SMERA A4 (Reaffirmed)
17-Jul-2015	Term Loan	Long Term	INR 0.35	SMERA B / Stable (Assigned)
	Overdraft	Long Term	INR 4	SMERA B / Stable (Assigned)
	Cheque Purchase	Long Term	INR 0.5	SMERA B / Stable (Assigned)
	Demand Loan	Long Term	INR 2	SMERA B / Stable (Assigned)
	Bank Guarantee	Short Term	INR 0.25	SMERA A4 (Assigned)

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore.)	Ratings/Outlook
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.26	SMERA B+ / Stable (Upgraded)
Overdraft	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA B+ / Stable (Upgraded)
Cheque Purchase	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA B+ / Stable (Upgraded)
Demand Loan	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+/ Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4 (Withdrawn)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.34	SMERA B+/Stable (Assigned)

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ABOUT SMERA

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