

**July 31, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.50	SMERA BB/Stable (Assigned)
Bank Guarantee	13.50	SMERA A4+ (Assigned)

SMERA has assigned a rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.2.50 crore long-term (fund-based) bank facility and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.13.50 crore short-term (non-fund based) bank facility of S.T. Constructions Private Limited (STCPL). The outlook is '**Stable**'. The ratings derive comfort from the company's experienced management and established relations with clients. The ratings are also supported by the company's moderate financial risk profile. However, the ratings are constrained by the deterioration of the company's profitability, moderate-scale of operations and the intense competition in the civil construction industry.

STCPL, incorporated in 2002, is a Delhi-based company that undertakes civil construction projects awarded by the Greater Noida Authority, NTPC and Indian Railways. The company benefits from its experienced management. Mr. Suristh Tiwary, Managing Director, has around three decades of experience in the civil construction industry. The company also benefits from its established relations with clients. STCPL's moderate financial risk profile is marked by leverage (debt-equity ratio) of 0.33 times as on March 31, 2014 and interest coverage ratio of 5.30 times in FY2013-14.

However, STCPL's operating margin has shown a declining trend over the past three years. The company's operating profit margin has declined from 11.79 per cent in FY2011-12 (refers to financial year, April 01 to March 31) to 6.36 per cent in FY2012-13, and further to 5.43 per cent in FY2013-14. STCPL's moderate-scale operations are marked by revenues of Rs.55.91 crore in FY2013-14. In FY2014-15 the company is expected to achieve revenues of around Rs.75 crore. The company has moderate order book position and faces intense competition from other players in the civil construction industry.

### **Outlook: Stable**

SMERA believes STCPL 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 diversifies its clientele and achieves significant improvement in the liquidity position and financial risk profile. The outlook may be revised to 'Negative' in case of significant decline in the company's profit margins, or with deterioration in the company's debt protection metrics on account of stretch in working capital cycle.

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.

### About the Company

STCPL, incorporated in 2002, is a Delhi-based company promoted by Mr. Suristh Tiwary. The company undertakes civil construction projects awarded by Noida Authority, Greater Noida Authority, NTPC and Indian Railways.

For FY2013-14, STCPL reported profit after tax (PAT) of Rs.1.58 crore on operating income of Rs.55.92 crore, as compared with PAT of Rs.1.70 crore on operating income of Rs.46.93 crore in the previous year. The company's net worth stood at Rs.13.63 crore as on March 31, 2014, as compared with Rs.10.71 crore a year earlier.

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