

S.T. Constructions Private Limited: Upgraded

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

SMERA has upgraded the long term rating on the above facilities to '**SMERA BB+**' (**read as SMERA double B plus**) from SMERA BB (read as SMERA double B) and reaffirmed the short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the above mentioned bank facilities of S.T. Constructions Private Limited (STCPL). The outlook is '**Stable**'.

STCPL undertakes civil construction work for government organisations. The rating upgrade takes into account the improvement in scale of operations and moderate financial risk profile supported by comfortable debt protection matrices. SMERA also notes the healthy order book of Rs.240.00 crore. The ratings are also supported by the company's established operations and experienced management.

However, the ratings are constrained by the tender based business and the highly competitive engineering procurement construction industry (EPC). The ratings also factor in the company's exposure to investments in non-related businesses such as metal and entertainment industries. SMERA notes that the company had muted growth in revenues in FY2016 as compared to FY2015.

Update

STCPL, incorporated in 2008 is a Delhi-based company engaged in the civil construction business. The company benefits from the extensive experience of its management - Mr. Suristh Tiwary (Director) and Mrs. Shobha Tiwary (Director) in the EPC industry.

The financial risk profile is marked by interest coverage ratio of 7.90 times in FY2016 as against 5.23 times in the previous year. The DSCR stands at 5.59 times in FY2016 as compared to 4.29 times in FY2015. The net profitability margin stands at 2.87 percent in FY2016 as against 2.85 times in FY2015. SMERA expects the profitability to remain under pressure in the medium term on account of increased competition in the EPC industry. STCPL has observed muted growth with revenue of Rs.106.28 crore in FY2016 as compared to Rs.104.91 crore in FY2015. Also, the company faces intense competition in the EPC industry.

Rating Sensitivity Factors

- Efficient management of working capital cycle
- Scaling up operations while maintaining profitability margins
- Movement in investments and other current assets

Outlook - Stable

SMERA believes that the company will maintain a stable outlook owing to the management's extensive experience and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while maintaining working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and large debt funded capex.

About the Company

STCPL, incorporated in 2002, is a Delhi-based company promoted by Mr. Suristh Tiwary and Mrs. Shobha Tiwary. The company undertakes civil construction work for government departments, railways and other public sector undertakings such as Noida/Greater Noida authority, Rail India Technical and Economic Service (RITES) India Ltd., Meerut Development Authority to name a few.

For FY2015-16, the company reported (profit after tax) PAT of Rs.3.05 crore on operating income of Rs.106.28 crore as compared with PAT of Rs.2.99 crore on operating income of Rs.104.91 crore in FY2014-15. The net worth stood at Rs.20.38 crore as on March 31, 2016 against Rs.16.61 crore a year earlier.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating/ Outlook
			Long Term	Short Term	
31 July, 2015	Cash Credit	2.50	SMERA BB (Assigned)	-	Stable
	Bank Guarantee	13.50	-	SMERA A4+ (Assigned)	-

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

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) for the latest information on any instrument rated by SMERA.