

Press Release

T.M. Subramaniam and Co. (TMS)

30 January, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs 7.00 Cr
Long Term Rating	SMERA B+/Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.7.00 crore bank facilities of T.M. Subramaniam and Co. (TMS). The outlook is '**Stable**'.

The Chennai-based TMS, established in 1973, is engaged in civil construction.

List of key rating drivers and their detailed description

Strengths:

Experienced management: Mr. T. M Subramaniam has more than four decades of experience in civil construction. The firm is headed by Mr. Siva Kumar, son of Mr. T.M Subramaniam who possesses extensive experience in the aforementioned industry.

Below average financial risk profile: The average financial risk profile is marked by high gearing of 2.73 times, low net worth base of Rs.3.62 crore and healthy interest coverage ratio (ICR) of 3.04 times in FY2015-16. The Net cash accruals to total debt is at 0.26 times and Debt Service Coverage ratio is at 3.04 times in FY2016

Weaknesses:

Moderate scale of operation: The revenues of the firm stood at a moderate level of around Rs. 41.48 crore and PAT of Rs.1.81 crore for FY2015-16.

Working capital intensive operations: The operations are working capital intensive marked by high gross current asset days of 176 in FY2016 as against 69 days in FY2015. The debtor days stand at 119 in FY2016 as against 46 days in FY2015.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the firm.

Applicable Criteria:

- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the outlook of TMS will remain 'Stable' over the medium term owing to the firm's experienced management and established relationships with government departments. The outlook may be revised to 'Positive' in case TMS generates healthy cash flows through successful execution of large projects while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of further stretch in the firm's liquidity position or delays in project execution.

About the Rated Entity

TMS, a proprietorship concern was established in 1973 by Mr. T.M. Subramaniam and converted to a partnership firm in 2013. He is joined by his sons, Mr T.M.S Sivakumar, Mr. Shakthi Sivakumar and Mr. TSS Sharan Kumar as partners. The firm undertakes civil construction projects for government organisations.

For FY2015–16, the firm reported profit after tax (PAT) of Rs.1.81 crore on operating income of Rs.41.48 crore, as compared with PAT of Rs.1.68 crore on operating income of Rs.47.00 crore in FY2014–15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Bank Overdraft	LT	5.00	SMERA B+/Stable (Reaffirmed)	-	-	18-Aug-2015	SMERA B+/Stable (Assigned)	-	-
Bank Guarantee	ST	2.00	SMERA A4 (Reaffirmed)	-	-	18-Aug-2015	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
Bank Overdraft	N.A	N.A	N.A	5.00	SMERA B+/Stable (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	2.00	SMERA A4 (Reaffirmed)

Note on complexity levels of the rated instrument:

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

Contacts:

Analytical	Rating Desk
Mr. Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Mr. Abhishek Dey, Rating Analyst, Tel: 033-66201222 Email: abhishek.dey@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.