

Press Release

T.M. Subramaniam and Co.

March 02, 2017

Rating Reaffirmed

Total Instruments Rated*	Rs. 8.00 Cr
Long Term Rating	SMERA B+/Stable
Short Term Rating	SMERA A4

**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. 8.00 crore bank facilities of T.M. Subramaniam And Co. (TMS). The outlook is '**Stable**'.

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.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

TMS is engaged in civil construction work. Mr. T M Subramaniam has more than four decades of experience in the said line of business. The day-to-day operations are managed by Mr. Siva Kumar, son of T M Subramaniam who possesses more than a decade of experience in the aforementioned industry.

- **Average financial risk profile**

TMS has an average financial risk profile marked by low net worth of Rs. 3.62 cr and gearing (debt-equity ratio) of 2.73 times as on March 31, 2016 compared to net worth of Rs. 2.15 cr and gearing of 1.63 times as on March 31 2015. The Interest coverage ratio (ICR) stood at 3.04 times in FY2015-16.

Weaknesses

- **Moderate scale of operations**

The operating income declined to Rs.41.48 cr in FY2015-16 from Rs. 47.00 cr in FY2014-15. The firm achieved revenue of Rs.22.00 cr from April 2016 - January 2017. The unexecuted orders stood at Rs.25.00 cr as on February 2017.

- **Working capital intensive operations**

The operations are working capital intensive marked by gross current asset days of 176 days in FY2016 compared to 69 days in FY2015. This was on account of high debtor days of 119 days in FY2016 (PY: 46 days).

High dependence on government orders

TMS is exposed to intense market competition and risks related to the tender based business. The firm caters largely to government organisations exposing itself to customer concentration risk.

Analytical Approach

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

Outlook: Stable

SMERA believes that the outlook of TMS will remain Stable over the medium term owing to the experienced management and established relationships with government organisations. 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 - Key Financials

For FY2015-16, the firm reported profit after tax (PAT) of Rs.1.81 cr on operating income of Rs.41.48 cr, as compared with PAT of Rs.1.68 cr on operating income of Rs.47.00 cr in FY2014-15. The net worth stood at Rs. 3.62 cr in FY2016 compared to Rs. 2.15 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
30-Jan-2017	Bank Overdraft	Long Term	INR 5 CR	SMERA B+ / Stable (Reaffirmed)
	Bank Guarantee	Short Term	INR 2 CR	SMERA A4 (Reaffirmed)
18-Aug-2015	Bank Overdraft	Long Term	INR 5 CR	SMERA B+ / Stable (Assigned)
	Bank Guarantee	Short Term	INR 2 CR	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	Not Applicable	Not Applicable	Not Applicable	6.00 (Enhanced from 5.00)	SMERA B+/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2	SMERA A4+

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