

September 14, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA B+/Stable (Assigned)
Term Loan	1.21	SMERA B+/Stable (Assigned)
Cash Credit (Proposed)	1.00	SMERA B+/Stable (Assigned)
Bank Guarantee	2.50	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.9.71 crore bank facilities of C M Roy Construction Private Limited (CMRCPL). The outlook is '**stable**'. The ratings are constrained by the company's low scale of operations, negative operating cash flow and tender-based business. However, the ratings derive comfort from the company's moderate financial risk profile, healthy operating margins and experienced management.

CMRCPL, incorporated in 2013 is a Port Blair-based class I civil contractor company that undertakes construction work for the municipal corporation, zilla parishad and the Andaman Public Works Department (APWD). The company's scale of operations is low. The revenues of the company declined from Rs. 12.35crore in FY2011-12 to Rs. 9.08crore in FY2013-14 due to limited orders from government entities. The increase in working capital requirement, especially inventory lead to high payable resulting in negative operating cash flows in FY2012, FY2013 and FY2014. Besides, the company is highly dependent on tender-based orders.

However, the company's moderate financial risk profile is marked by moderate interest coverage ratio (ICR) of 1.93 times and high gearing of 1.47 times in FY2013-14. Further, the operating margins are healthy ranging around 14 per cent. CMRCPL benefits from its experienced management. Mr. C. M. Roy, the promoter has more than two decades of experience in the construction business.

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Outlook:Stable

SMERA believes that CMRCPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' with continuous flow of orders and execution of projects taking place on time apart from effective working capital management and ability to maintain profit margin. Conversely, the outlook may be revised to 'Negative' in case the company fails to maintain its profit margins or the firm's financial risk profile deteriorates on account of higher-than-expected increase in debt-funded working capital requirements.

About the Company

CMRCPL, incorporated in 2013 is a Port Blair-based class I civil contractor company that undertakes construction work for the municipal corporation, zilla parishad and the Andaman Public Works Department (APWD). The company promoted by Mr. C. M. Roy and Mrs. Daisy Roy was set up to take over the running business of 'C. M. Roy', a proprietorship concern set up in 1990.

The company reported profit after tax (PAT) of Rs.0.57 crore on operating income of Rs.9.08 crore for FY2013-14, as against PAT of Rs.0.42 crore on operating income of Rs.10.21 crore in FY2012-13. The company's net worth stood at Rs.4.06 crore as on March 31, 2014, as compared with Rs.3.69 crore a year earlier. (Financials of C. M. Roy, a proprietorship concern was considered to carry out the rating exercise).

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 98208 02479 Email: antony.jose@smera.in	Pooja Ghosh Associate Vice President – Operations Tel: +91-33-6620 1203 Email: pooja.ghosh@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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