

Press Release

C M Roy Construction Private Limited (CMRCPL)

17 March, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 13.50 Cr.
Long Term Rating	SMERA B+/Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer annexure for details*

SMERA has reaffirmed 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 above mentioned bank facilities of C M Roy Construction Private Limited (CMRCPL). The outlook is '**Stable**'.

C. M. Roy was established as a proprietorship concern in 1990 by Mr. C. M. Roy and subsequently converted into a closely held company in 2013 with the induction of Mrs. Daisy Roy and the name was changed to C M Roy Construction Private Limited (CMRCPL). The company undertakes civil construction work for Andaman Public Works Department (APWD) since inception.

Key rating drivers

Strengths

Experienced management and long track record of operations

CMRCPL, established in 1990 has a long track record of operations. It has benefited from experienced management. Mr. C. M. Roy, promoter of the company has a diploma (civil) with experience of almost three decades in executing construction projects. Also, CMRCPL is class I civil contractor for Andaman Public Work Department (APWD).

Moderate scale of revenues:

The company had registered revenue of Rs. 13.36 crore in FY2017 as against Rs. 11.69 crore in FY2016. The increase is mainly because the company have taken an order of renovating hotels of IPC Limited in Andaman. It has registered revenues of approximately Rs. 14.00 crore for the period April 2017 to January 2018 (provisional).

Weaknesses

Working capital intensive operations

CMRCPL's operations are working capital intensive. The Gross Current Assets (GCA) stood at 253 days in FY2017 as against 298 days in FY2016. This is on account of inventory days of 138 days in FY2017 as against 166 days in FY2016. The inventory days of the company stands high mainly due to inherent cyclicity of the infrastructure industry. The debtor days have decreased to 41 days as against 54 days in FY2016.

Tender based business

Almost the entire business of the company is tender based. Hence the revenue earned is directly dependent upon the quantum of contracts bagged and executed during the year. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. The company has to do tendering on competitive prices; this may affect the profitability of the firm. This has resulted in fluctuating operating profit margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of CMRCPL to arrive at the rating.

Outlook: Stable

SMERA believes the outlook on CMRCPL will remain stable over the medium term on account of its promoter's experience in the infrastructure industry. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of company registers significant decline in cash accruals or deterioration of its financial risk profile due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	13.36	11.69	12.25
EBITDA	Rs. Cr.	7.59	6.89	6.75
PAT	Rs. Cr.	0.46	0.28	0.26
EBITDA Margin	(%)	14.63	16.83	15.09
PAT Margin	(%)	4.71	3.99	4.69
ROCE	(%)	6.81	7.63	6.53
Total Debt/Tangible Net Worth	Times	1.86	2.56	2.30
PBDIT/Interest	Times	2.05	2.14	2.15
Total Debt/PBDIT	Times	3.15	3.85	3.42
Gross Current Assets (Days)	Days	253	298	239

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Sector https - <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 for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs .Cr.)	Ratings/Outlook
8th Feb 17	Cash Credit	Long Term	6.00	SMERA B+ (Indicative)
	Term Loan	Long Term	1.21	SMERA B+ (Indicative)
	Bank Guarantee	Short Term	2.50	SMERA A4 (Indicative)
14th Sep 15	Cash Credit	Long Term	5.00	SMERA B+/Stable (Assigned)
	Term Loan	Long Term	1.21	SMERA B+/Stable (Assigned)
	Proposed Cash Credit	Long Term	1.00	SMERA B+/Stable (Assigned)
	Bank Guarantee	Short Term	2.50	SMERA A4 (Assigned)

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	NA	NA	NA	8.00	SMERA B+/Stable (Reaffirmed)
Bank Guarantee	NA	NA	NA	5.50	SMERA A4 (Reaffirmed)

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