

December 01, 2015

Facility	Amount (Rs. Crore)	Rating
Bank Guarantee	10.00	SMERA A4+ (Assigned)

SMERA has assigned rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.10.00 crore short term bank facility of Seth Construction Company (SCC). The rating draws comfort from the firm's long track record of operations, experienced management and moderate financial profile. The rating also takes into account the fair visibility of revenues over the medium term from its healthy order book. However, the rating is constrained by the high dependence on orders from government entities, working capital intensive operations and competitive nature of the construction industry. The rating also factors in risks inherent in the partnership constitution of the firm.

Rating Sensitivity Factors

- Improvement in scale of operations while maintaining profitability
- Efficient working capital management

Outlook: Stable

SMERA believes SCC will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and moderate financial profile. The outlook may be revised to 'Positive' in case the firm generates healthy cash flows while achieving efficient working capital management. The outlook may be revised to 'Negative' in case of stretch in the firm's liquidity position or delays in execution of projects.

About the Firm

SCC established in 1973 is a Nagpur-based partnership firm promoted by Yashpal Seth and family. The firm executes infrastructure-related contracts on the basis of tenders awarded by government entities such as Public Works Departments (PWD) - Maharashtra, Defense Research and Development Organization (DRDO), Nagpur Municipal Corporation (NMC) among others.

For FY2014-15, SCC reported profit after tax (PAT) of Rs.3.14 crore on operating income of Rs.54.21 crore, as compared with PAT of Rs.2.68 crore on operating income of Rs.47.83 crore in FY2013-14.

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