



SMERA RATINGS LIMITED

PMA Construction Company (PCC)

**Rating
Rationale****March 12, 2016**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.00	SMERA BB-/Stable (Assigned)
Cash Credit (Proposed)	1.00	SMERA BB-/Stable (Assigned)
Term Loan (Proposed)	1.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	1.50	SMERA A4+ (Assigned)
Bank Guarantee (Proposed)	2.50	SMERA A4+ (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.6.00 crore fund-based bank facilities and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.4.00 crore non fund-based bank facilities of PMA Construction Company (PCC). The outlook is '**Stable**'. The ratings are supported by the firm's experienced management, comfortable financial risk profile and healthy order book position. However, the ratings are constrained by the small scale of operations, high working capital intensity and dependence on government orders.

Rating Sensitivity Factors

- Ability to scale up operations while maintaining profitability
- Efficient working capital management
- Deterioration in the capital structure

Outlook: Stable

SMERA believes PCC will maintain a Stable business profile over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company registers more than expected growth in revenues while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of high working capital requirements increasing the pressure on margins.

About the Firm

PCC, established in 1999, is a Nagpur-based partnership firm, promoted by Mr. Subhash M. Agrawal and Mr. Ashok M. Agrawal. The firm is engaged in construction, repairs, renovation, widening and improvement of roads for government bodies such as the Public Works Department, Maharashtra State Road Development Corporation, Nagpur Municipal Corporation among others.

For 2014-15, PCC reported net profit after tax (PAT) of Rs.0.61 crore on operating income of Rs.18.05 crore as against PAT of Rs.0.58 crore on operating income of Rs.18.19 crore for the previous year. The tangible net worth stood at Rs.5.47 crore in FY2014-15 as against Rs.4.75 crore in the previous year.

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.



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*Rating
Rationale*

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