

Sharp Tanks & Structural Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	10.74	SMERA BB+/Stable (Assigned)
Bank Guarantee	27.49	SMERA BB+/Stable (Assigned)
Letter of Credit	7.74	SMERA A4+ (Assigned)
Proposed	0.03	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB+**' (**read as SMERA double B plus**) and '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.46.00 crore bank facilities of Sharp Tanks & Structural Private Limited (STASPL). The outlook is '**Stable**'.

The ratings derive comfort from the established track of operations, experienced management, healthy order book position and reputed customer base. Further, the ratings are supported by moderate financial risk profile and improving profit margins. However, the ratings are constrained by the working capital intensive business and moderate scale of operations. Further, the company also factors in the tender based nature of activities.

STASPL, incorporated in 1987 is engaged in the manufacture of storage tanks for the petroleum and gas industries. The company has an experienced management. Mr.VV Nair (Managing Director), has more than three decades of experience in the construction of storage tanks. As on September 2016, the company had an order book of Rs.142.91 crore to be completed by March 2018. STASPL's clientele includes reputed organisations such as Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited and Bharat Petroleum Corporation Limited to name a few. The moderate financial risk profile is marked by interest coverage ratio of 2.25 times for FY2015-16 and TOL/TNW of 0.97 times as on March 31, 2016. The EBIDTA margins improved to 11.80 per cent for FY2015-16 from 11.05 per cent for FY2014-15 on account of increase in job work income in the total revenue.

However, STASPL has moderate scale of operations evident from revenues of Rs.47.63 crore for FY2015-16 as compared to Rs.31.41 crore in FY2014-15. The operations of the company are working capital intensive with GCA of 318 days for FY2015-16 on account of high inventory holding of 259. Further, the company's performance is also susceptible to the tender based nature of activities and intense competition among players bidding for government contracts.

Rating Sensitivity Factors

- Timely completion of projects
- Increase in scale of operations while maintaining stable profit margins
- Efficient working capital management

Outlook- Stable

SMERA believes STASPL will continue to maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company generates larger than expected cash flows while scaling up operations and maintaining profitability margins. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue and profit margins.

About the Company

STASTPL was incorporated in 1987 by Mr. VV Nair, Managing Director and Mr. MM Menon, Director. The company caters to various industries including oil refineries, petrochemicals, power and steel industries by offering services in the field of construction of oil storage tanks, ammonia storage tanks, LPG storage spheres, gas holders to name a few.

For FY2015-16, STASPL registered profit after tax (PAT) of Rs.1.89 crore on operating income of Rs.47.63 crore as compared to PAT of Rs.0.93 crore on operating income of Rs.31.41 crore in FY2014-15.

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ABOUT SMERA

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