

M. M. Brothers: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.00	SMERA BB/Stable (Assigned)
Letter of Credit	5.00	SMERA A4+ (Assigned)
Bank Guarantee	30.00	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.40.00 crore bank facilities of M. M Brothers (MMB). The outlook is '**Stable**'.

The ratings draw support from the long track record of operations, experienced management, and healthy relations with clientele. The ratings are further supported by the moderate financial risk profile marked by comfortable gearing and moderate interest coverage ratio. However, the ratings are constrained by the stretched liquidity profile marked by (around 90 per cent bank limit utilisation), tender based nature of business and geographical concentration risk in a highly competitive power and transmission industry. SMERA also notes that the revenues of the firm are moderate at Rs.47.24 crore in FY2015-16.

The Jaipur-based MMB was established in 1980 as a proprietorship concern by Mr. Dhoop Chand Sogani and later reconstituted as a partnership firm in April 2010. The firm is headed by partners, Mr. Dhoop Chand Sogani, Mr. Sunil Sogani and Mrs. Sangeeta Sogani. MMB is an EPC contractor and undertakes laying of underground cables, erection and commissioning of sub-stations, survey, installation among others for government bodies such as Jaipur Vidyut Vitran Nigam Limited, Urban Improvement Trust, Udaipur, National Highway Authority Of India, Rajasthan Housing Board among others. The promoters possess experience of more than three decades in the power and transmission industry.

The firm has moderate financial risk profile marked by comfortable gearing (debt-to-equity) of 0.39 times as on March 31, 2016 against 0.37 times as on March 31, 2015. The interest coverage ratio stood at 1.88 times in FY2015-16 as against 1.58 times in FY2014-15. The operating margin stood at 7.94 per cent in FY2015-16 which improved from 7.36 per cent in FY2014-15. Currently, MMB has work order of Rs.36.00 crore from the aforementioned government bodies.

However, the firm has high liquidity profile marked by (around 90 per cent bank limit utilisation), tender based business and geographical concentration risk. The rating also factors in the competition in the power and transmission industry. MMB has moderate revenue at Rs.47.24 crore in FY2015-16 as compared to Rs.40.15 crore in FY2014-15.

Rating Sensitivity Factors

- Increasing scale of operations while improving margin
- Effective working capital management

Outlook-Stable

SMERA believes that MMB will maintain a stable outlook in the medium term owing to the experience of the promoters in the business. The outlook may be revised to 'Positive' in case of improvement in revenue, capital structure while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in revenue, profitability and capital structure.

About the Firm

MMB is a Rajasthan-based proprietorship firm established in 1980 and converted into a partnership firm in April 2010 to undertake power and transmission projects for the government. The firm executes electrical works such as laying of underground cable, erection and commissioning of sub-stations, survey, installation among others and is headed by partners, Mr. Dhoop Chand Sogani, Mr. Sunil Sogani and Mrs. Sangeeta Sogani.

For FY2015-16, the firm reported profit after tax (PAT) of Rs.1.57 crore on operating income of Rs.47.24 crore, as compared with PAT of Rs.0.93 crore on operating income of Rs.40.15 crore in FY2014-15. The net worth stood at Rs.14.54 crore (included quasi equity of Rs.7.65 crore) as on March 31, 2016 against Rs.14.40 crore (included quasi equity of Rs.7.75 crore) in the previous year.

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ABOUT SMERA

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