

Shreeji Construction: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	5.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	20.00	SMERA BB-/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the above mentioned bank facilities of Shreeji Construction (SC). The outlook is '**Stable**'.

The rating derives comfort from the established track record of operations and experienced promoters, long term association with government agencies and healthy order book position. The rating is also supported by the healthy financial risk profile. However, the rating is constrained by the moderate scale of operations due to the tender based business, competitive and fragmented civil construction industry and working capital intensive business. The rating is also weakened by risks associated with the proprietorship constitution of the firm.

Shreeji Construction was established in 1984 as a proprietorship concern by the Late Mr. Mahendra Sheth. The firm, currently managed by Mrs. Malthi Mahendra Sheth is engaged in civil construction and undertakes construction of asphalt and concrete roads, bridges, mass housing projects and maintenance of road infrastructure. The firm has executed projects for Mumbai Metropolitan Region Development Authority, Mira Bhayandar Municipal Corporation, Virar Vasai Municipal Corporation among others. Since most of the clients are government entities, the counterparty risk is significantly mitigated.

Shreeji Construction has a healthy order book position of Rs.173.00 crore as on October 2016. The financial risk profile is healthy marked by gearing of 0.66 times as on 31 March 2016 as compared to 1.23 times in the previous year. The interest coverage ratio (ICR) stood at 5.98 times for FY2015-16 and 4.53 times for FY2014-15. Shreeji Construction has moderate networth of Rs.6.55 crore as on 31 March, 2016 as compared to Rs.5.94 crore as on 31 March, 2015. The operating margins of the firm are healthy at 8.66 percent in FY2015-16.

However, the firm's operations are moderate despite its three decade long track record of operations. Further, the performance is also susceptible to the tender based nature of activities and intense competition among players bidding for government contracts. The operations are working capital intensive. The receivable days are high at 264 and gross current assets stood at 269 days as on 31 March 2016 as compared to 197 days as on 31 March 2015. Besides, Shreeji Construction is a proprietorship firm and is exposed to risk of withdrawal of capital.

Rating Sensitivity Factors

- Scaling up of operations while maintaining profit margins
- Timely completion of projects

Outlook: Stable

SMERA believes that Shreeji Construction will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the firm

registers lower-than-expected growth in revenues and profitability, deterioration in the financial risk profile or higher than expected working capital requirements.

About the Firm

The Thane-based SC is a proprietorship firm established in 1984 by the Late Mr. Mahendra Sheth. The firm is a Class-1A contractor and is managed by Mrs. Malthi Mahendra Sheth. The firm is engaged in the construction of asphalt and concrete roads, bridges, mass housing projects and maintenance of road infrastructure projects.

For FY2015-16, Shreeji Construction registered profit after tax (PAT) of Rs.2.25 crore on total income of Rs.36.00 crore as against PAT of Rs.2.55 crore on total income of Rs.50.60 crore for FY2014-15.

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ABOUT SMERA

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