

## Press Release

08 March, 2018



**Shreeji Construction (SC)**

**Rating Reaffirmed**

<b>Total Bank Facilities Rated *</b>	Rs.25.00 crore
<b>Long Term Rating</b>	SMERA BB-/ Outlook: Stable

# Refer Annexure for details

### Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (read as SMERA double B minus) on the Rs.25.00 crore bank facilities of Shreeji Construction (SC). The outlook is '**Stable**'.

Shreeji Construction (SC), established in 1984 is a Thane-based proprietorship concern led by Mrs. Malthi Mahendra Sheth and Mr. Bhavesh M. Sheth. The firm is engaged in the construction of asphalt and concrete roads, bridges, industrial buildings and maintenance of road infrastructure projects. It is a Class-1A contractor and has an established track record of over three decades in the execution of infrastructure projects.

### Key Rating Drivers

#### Strengths

##### **Established track record of operations, long term association with government agencies**

SC was established in 1984 as a proprietorship concern by the Late Mr. Mahendra Sheth. It has executed several projects for Mumbai Metropolitan Region Development Authority, Mira Bhayander Municipal Corporation, Virar Vasai Municipal Corporation and others. The extensive industry experience and timely execution of projects has enabled SC to establish long-standing relations with its clients.

#### Healthy order book position

SC has a healthy order book position marked by orders in hand of Rs.160 crore as on date to be executed in the next two years. The firm has booked revenue of Rs. 32.00 crore from April to Jan, 2018 and estimates revenue of Rs. 42.00 crore for FY2017-18.

#### Healthy financial risk profile

SC has healthy financial risk profile. The firm has low gearing of 0.61 times as on 31 March, 2017 as compared to 0.66 times as on 31 March, 2016. The total debt mainly consists of working capital borrowings. SC has healthy coverage indicators with Interest Coverage Ratio (ICR) of 6.57 times for FY2016-17 and 5.98 times for FY2015-16.

#### Weaknesses

##### **Moderate scale of operations due to tender based business**

The operations are considered to be at moderate level despite the firm being in the construction business from the last 34 years. The firm has registered operating income of Rs. 40.65 crore in FY2016-17 as compared to Rs.36.00 crore in FY2015-16. Being a civil contractor, the revenue of SC depends on the number of successful bids and tenders released in the financial year.

## Competitive and fragmented industry

The firm is engaged as a civil contractor. The sector is marked by the presence of several mid to big sized players. The firm faces intense competition from other players in the sector. The risk become more pronounced as tenders are based on the minimum amount of bidding of contracts. Besides, the firm is also exposed to risk of capital withdrawal considering the sole proprietorship constitution. Also financial flexibility is relatively arrested.

## Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Shreeji Construction to arrive at the rating.

## Outlook: Stable

SMERA believes that SC will maintain a stable outlook over 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 of lower-than-expected growth in revenues and profitability, or deterioration in the financial risk profile or higher than expected working capital requirements.

## About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	40.65	36.00	50.60
EBITDA	Rs. Cr.	3.66	3.12	3.71
PAT	Rs. Cr.	2.80	2.25	2.55
EBITDA Margin	(%)	9.00	8.66	7.34
PAT Margin	(%)	6.90	6.24	5.04
ROCE	(%)	26.58	23.23	51.51
Total Debt/Tangible Net Worth	Times	0.61	0.66	1.23
PBDIT/Interest	Times	6.57	5.98	4.53
Total Debt/PBDIT	Times	1.44	1.30	1.87
Gross Current Assets (Days)	Days	381	333	255

## Status of non-cooperation with previous CRA (if applicable)

None

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

**Note on complexity levels of the rated instrument**
<https://www.smera.in/criteria-complexity-levels.htm>
**Rating History**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
16 Dec, 2016	Cash Credit	Long Term	5.00	SMERA BB-/Stable (Assigned)
	Bank Guarantee	Long Term	20.00	SMERA BB-/ Stable (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB- / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA BB- / Stable

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## ABOUT SMERA

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