

Press Release

Shri Satya Saibaba Constructions

March 02, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 37.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 37.00 crore bank facilities of Shri Satya Saibaba Constructions. The outlook is '**Stable**'.

Shri Satya Saibaba Constructions (SSSBC) was established in 2000 by Mr. Dilip Raosaheb Mane, Mrs. Savita Dilip Mane, Mr. Dinesh Dilip Mane and Mr. Ritesh Dilip Mane. The firm undertakes civil construction work on tender basis for central and state governments. The operations are based out of Latur, Maharashtra.

Key Rating Drivers

Strengths

- **Experienced management**

SSSBC was established in 2000 as a partnership firm. The promoters possess extensive experience in the industry.

- **Above average financial risk profile**

The financial risk profile is above average marked by high net worth of Rs.40.40 cr as on 31 March 2016. The gearing stood at 0.23 times as on 31 March 2016 as compared to 0.14 times in 31 March 2015. The ICR stood at 11.67 times in FY2016 as compared to 13.27 times in FY2015. The DSCR stood at 8.98 times in FY2016 as compared to 9.91 times in FY2015.

- **Strong order book position**

The order book position is healthy with current orders in hand to the tune of Rs.116.50 cr.

- **Healthy operating margins**

The operating margins are healthy on account of lower raw material cost as a percentage of sales. The EBITDA margins stood at 13.40 percent in FY2016 as compared to 12.08 percent in FY2015. The PAT margins stood at 7.87 percent in FY2016 as compared to 7.68 percent in FY2015.

- **Comfortable working capital operations**

The working capital operations are comfortable with Gross Current Assets (GCAs) of 57 days on account of comfortable debtor and inventory levels of 4 days and 53 days respectively. Further, the firm's liquidity profile is comfortable as its working capital limit utilisation is ~52.00 percent.

Weaknesses

- **Fluctuating operating income**

The operating income stood at Rs.53.69 cr in FY2016 as compared to Rs.65.88 cr in FY2015 and

Rs.42.42 cr in FY2014. As per 10MFY2017 provisionals, the firm booked revenue of Rs.57.00 cr.

• **Competitive and fragmented industry**

The firm faces intense competition in the civil construction industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Shri Satya Saibaba Constructions to arrive at the rating.

Outlook: Stable

SMERA believes SSSBC's outlook will remain stable and the firm will benefit over the medium term owing to its experienced management. The outlook may be revised to Positive in case the firm is able to register improvement in profit margins and maintain healthy revenue growth. Conversely, the outlook may be revised to Negative in case the firm faces stretched working capital cycle or fall in revenue.

About the Rated Entity - Key Financials

For FY2015-16, the firm registered profit after tax (PAT) of Rs.4.22 cr on operating income of Rs.53.69 cr as against net profit after tax of Rs.5.06 cr on operating income of Rs.65.88 cr in the previous year. The net worth stood at Rs.40.40 cr as on 31 March 2016 as compared to Rs.32.28 cr as on 31 March 2015.

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 (Upto last three years)

Not Applicable

***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	10.00	SMERA BBB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A3
Proposed	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A3

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