

## Press Release

### Shri Satya Saibaba Constructions (SSSC)

21 March, 2018



#### Rating Upgraded & Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 60.50 crore (Enhanced from 37.00 cr)
<b>Long Term Rating</b>	SMERA BBB+ / Stable (Upgraded and assigned)
<b>Short Term Rating</b>	SMERA A2 (Upgraded and assigned)

\* Refer Annexure for details

#### Rating Rationale

SMERA has upgraded the long term rating to '**SMERA BBB+** (read as SMERA triple B plus) from '**SMERA BBB-** (read as SMERA triple B minus) and short term rating to '**SMERA A2**' (read as SMERA A two) from '**SMERA A3**' (read as SMERA A three) on the Rs. 37.00 crore bank facility of Shri Satya Saibaba Constructions (SSSC). Further, SMERA has also upgraded and assigned long term rating of '**SMERA BBB+**'(read as SMERA triple B plus) and short term rating of '**SMERA A2**' (read as SMERA A two) on the Rs. 23.50 crore bank facilities. The outlook is '**Stable**'.

The Latur-based, SSSC, a partnership firm was incorporated in 2000 by Mr. Dilip Raosaheb Mane, Mrs. Savita Dilip Mane, Mr. Dinesh Dilip Mane and Mr. Ritesh Dilip Mane. The firm is engaged in civil construction and undertakes construction of roads, flyovers among others. The firm caters to Central Railway, L&T Realty Limited to name a few.

#### Key rating drivers

##### Strengths

##### Established track record of operations, experienced promoters

The promoters have experience of around a decade in civil construction and have developed healthy relations with customers and suppliers.

##### Strong order book position

The order book position is healthy and has been improving on a year on year basis. The orders in hand are worth Rs. 470.31 crore as on 31 January, 2018.

##### Strong financial risk profile

The strong financial risk profile is marked by improvement in networth from Rs. 40.40 crore as on 31 March, 2016 to Rs. 48.47 crore as on 31 March, 2017. The gearing stood at 0.28 times as on 31 March, 2017 as against 0.23 times for 31 March, 2016. The total long term debt includes commercial equipment loans with outstanding balance of Rs. 5.36 crore as on 31 March, 2017. The ICR stood at 10.63 times for FY2017 as compared to 11.67 times for FY2016. As informed by the banker, cash credit utilisation stood at around 50 percent. The DSCR stood at 8.59 times for FY2017 as compared to 8.98 times for FY2016.

## Improvement in operating margins

The operating margin improved considerably in FY2017 mainly on account of better management of raw material cost. The EBITDA margin improved to 19.14 percent in FY2017 and 13.40 percent in FY2016. The PAT margin stood at 11.13 percent in FY2017 compared to 7.87 percent in FY2016. Going ahead, SMERA believes that SSSC will maintain its margins.

## Comfortable working capital operations

The working capital operations are comfortable with Gross Current Assets (GCAs) of 38 mainly on account of lower inventory days of 20 and debtor days of 11. The firm has investments in joint ventures with Sharda Construction and Corporation Private Limited. The firm has Earnest Money Deposits (EMD) and tender deposits worth Rs.31.75 crore as on 31 March, 2017.

## Weaknesses

### Competitive and fragmented industry

The firm undertakes civil construction work for the Central Railway and Maharashtra government. The nature of business is tender based. The industry is marked by the presence of several small and large players. As informed by the management, the firm booked revenue of Rs.70.00 crore from April to February 2018 of which ~ 65.86 percent revenue was from the Central Railway and the rest from the Maharashtra government for construction of dams, roads and bridges. In FY2016-17 out of the total revenue of Rs.70.48 crore, 66.30 percent revenue was from the Central Railway and the rest from the Maharashtra government.

### 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 that SSSC will maintain a Stable outlook and benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm is able to diversify its revenue profile with stable operating margins and continue to maintain working capital cycle effectively. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital cycle or fall in revenue.

### About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	70.48	51.73	63.56
EBITDA	Rs. Cr.	13.49	7.20	7.96
PAT	Rs. Cr.	7.84	4.22	5.06
EBITDA Margin	(%)	19.14	13.91	12.52
PAT Margin	(%)	11.13	8.16	7.96
ROCE	(%)	22.21	16.21	45.25
Total Debt/Tangible Net Worth	Times	0.28	0.23	0.14
PBDIT/Interest	Times	10.63	11.67	13.27
Total Debt/PBDIT	Times	0.88	1.05	0.45
Gross Current Assets (Days)	Days	38	69	54

**Status of non-cooperation with previous CRA (if applicable):****None****Any other information:**

Not Applicable

**Applicable Criteria**

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

**Note on complexity levels of the rated instrument**<https://www.smera.in/criteria-complexity-levels.htm>**Status of non-cooperation with previous CRA (if applicable):****None****Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore.)	Ratings/Outlook
02-Mar, 2017	Cash Credit	Long term	10.00	SMERA BBB-/Stable
	Proposed Cash Credit	Long term	2.00	SMERA BBB-/Stable
	Bank Guarantee	Short term	15.00	SMERA A3
	Proposed Bank Guarantee	Short term	10.00	SMERA A3

**\*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-I	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB+/ Stable (Upgraded)
Cash Credit-II	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BBB+/ Stable (upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BBB+/ Stable (Assigned)
Bank Guarantee-I	Not Applicable	Not Applicable	Not Applicable	16.50	SMERA A2 (upgraded)
Bank Guarantee-II	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA A2 (upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.07	SMERA A2 (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	6.93	SMERA A2 (Assigned)

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**ABOUT SMERA**

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