

Press Release

09 March, 2017

S Satish Class 1A Contractor

Rating Assigned

Total Bank Facilities Rated *	Rs.9.00 Cr.
Long Term Rating	SMERA BB-/ Outlook: Stable
Short Term Rating	SMERA A4+

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 9.00 crore bank facilities of S Satish Class 1A Contractor. The outlook is '**Stable**'.

S Satish Class 1A Contractor (SSCC), incorporated in 1990, is a Bangalore-based proprietorship concern promoted by Mr. S. Satish, a Class 1A contractor. The proprietor has around a decades experience as a civil contractor. The firm is engaged in the construction of asphalt roads and has undertaken projects for Bruhat Bengaluru Mahanagara Palike (BBMP).

Key Rating Drivers

Strengths

• Experienced management

The firm, established in 1990, is a Bangalore-based proprietorship firm promoted by Mr. S. Satish who has around a decade of experience in asphalt road contract business.

• Association with government organisations

S. Satish has executed projects for Bruhat Bengaluru Mahanagara Palike (BBMP).

• Moderate order book position

S. Satish has a healthy order book position marked by current orders in hand of Rs. 20.00 cr as on Jan 2017

• Healthy financial risk profile

The firm has healthy financial risk profile with comfortable gearing of 0.42 times as on 31st March 2016 as compared to 1.43 times as on 31st March 2015. The total debt mainly consists of working capital borrowings. The coverage indicators are healthy with interest coverage ratio (ICR) of 4.14 times in FY2016 and 3.72 times in FY2015. The ROCE stood at 17.04 per cent in FY2015-16.

Weaknesses

- **Small scale of operations due to tender based business**

Despite being in the construction business for 26 years, the scale of operations are small. The firm achieved operating income of Rs.13.41 cr in FY2015-16 as compared to Rs.10.63 cr in FY2014-15. Being a contractor the revenue of the firm depends on the number of successful bids and tenders released in the financial year.

- **Competitive and fragmented industry**

The firm faces intense market competition in the civil construction industry.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of S. Satish Class 1A Contractor to arrive at the rating.

Outlook: Stable

SMERA believes that the firm 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 revenue 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 revenue and profitability, deterioration in the financial risk profile or higher than expected working capital requirements

About the Rated Entity - Key Financials

In FY2015-16, the firm reported profit after tax (PAT) of Rs.0.91 cr on operating income of Rs.13.41 cr against PAT of Rs.0.68 cr on operating income of Rs.10.63 cr in the previous year. The net worth stood at Rs.5.78 cr as on 31 March 2016 as against Rs.2.77 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>

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.45	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.55	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA A4+

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ABOUT SMERA

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