

Press Release

14 March, 2017

Sorath Builders

Rating Assigned

Total Bank Facilities Rated *	Rs.12.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 12.00 crore bank facilities of Sorath Builders. The outlook is '**Stable**'.

Sorath Builders (SB), established in 1996 by Mr. Laxmanbhai A. Patel and Mr. Dineshbhai L. Patel is engaged in civil construction. The firm undertakes building repair work and construction of water retaining structures among others for central and state governments. The operations are based out of Ahmedabad, Gujarat.

Key Rating Drivers

Strengths

- **Experienced management**

Sorath Builders (SB) was incorporated in 1996 as a partnership concern by Mr. Laxmanbhai A. Patel and Mr. Dinesh L. Patel. The firm is engaged in the business of civil construction since the past two decades.

- **Healthy growth in operating income**

SB registered healthy operating income growth rate at a CAGR of 18.83 percent for the period FY2014-16 on account of increasing order book position. The operating income stood at Rs.42.61 cr in FY2016 as compared to Rs.38.10 cr in FY2015.

Weaknesses

- **Stretched liquidity profile**

The liquidity profile of the firm is stretched since it has fully utilised its working capital limits.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by low net worth of Rs.5.41 cr as on 31 March 2016. The gearing stood at 1.51 times as on 31 March 2016 as compared to 2.16 times as on 31 March 2015. The ICR stood at 1.68 times in FY2016 as compared to 1.67 times in FY2015.

- **Working capital intensive operations**

SB has working capital intensive operations evident from the high Gross current assets (GCA) of 134 days as on March 31, 2016 due to high inventory and debtor levels.

- **Competitive and fragmented infrastructure industry**

The firm is engaged in civil construction and faces intense competition from other players in the sector.

Analytical Approach

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

Outlook: Stable

SMERA believes that SB's outlook will remain stable and the firm will benefit over the medium term from its experienced management. The outlook may be revised to Positive in case the firm has a steady and diversified revenue profile with stable operating margins and continues to maintain its working capital cycle effectively. The outlook may be revised to Negative in case of a 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.0.61 cr on operating income of Rs.42.61 cr as against net profit after tax of Rs.0.59 cr on operating income of Rs.38.10 cr in the previous year. The net worth stood at Rs.5.41 cr as on 31 March 2016 as compared to Rs.4.14 cr as on 31 March 2016.

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4

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ABOUT SMERA

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