

Press Release

D Manoharan

April 19, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs 12.00 Cr
Long Term Rating	SMERA BB-/Stable(Assigned)
Short Term Rating	SMERA A4+ (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (**read as SMERA double B minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.12.00 cr bank facilities of D Manoharan (DM). The outlook is '**Stable**'.

D Manoharan, established in 1996 is engaged in civil construction and caters to the Tamil Nadu government.

List of Key Rating Drivers and their detailed description

Strengths:

Experienced management and healthy order book position: The firm benefits from its experienced management. Mr. D Manoharan, the Proprietor, has extensive experience of over two decades in the civil construction industry. The firm has healthy order book of around Rs.13 cr.

Comfortable financial risk profile: The comfortable financial risk profile is marked by gearing of 0.25 times, modest net worth base of Rs.12.70 cr and healthy interest coverage ratio (ICR) of 4.12 times in FY2015-16. The Net cash accruals to Total debt stood at 0.23 times and Debt Service Coverage ratio at 4.12 times in FY2016.

Weaknesses:

Moderate scale of operation: While commercial operations commenced in 1996, the revenue has been a moderate Rs.21.09 cr in FY2016 and Rs.16.91 cr in FY2015.

Working capital intensive nature of operation: The operations are working capital intensive marked by high gross current asset days of 126 in FY2016 as against 153 days in FY2015. This necessitates working capital requirements as major funds gets blocked in debtors. The debtor days are high at 108 days in FY2016 as compared to 114 days in FY2015.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of D Manoharan to arrive at the rating.

Applicable Criteria:

- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that DM will maintain a stable outlook in the medium term on account of its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' if the firm registers higher-than-expected growth in revenue and net cash accruals while maintaining better profit margins and improvement in the capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability or deterioration in the financial risk profile.

About the Rated Entity

D Manoharan, established in 1996 is engaged in civil construction and caters to the Tamil Nadu government.

For FY2015-16, DM registered profit after tax (PAT) of Rs.0.75 cr on operating income of Rs.21.09 cr, as compared with PAT of Rs.0.51 cr on operating income of Rs.16.91 cr in FY2014-15. The tangible net worth stood at Rs. 12.70 cr as on March 31, 2016 as against Rs. 11.95 cr in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Secure Overdraft	LT	10.00	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	2.00	SMERA A4+ (Assigned)	-	-	-	-	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/ Outlook
Secure Overdraft	N.A	N.A	N.A	10.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	2.00	SMERA A4+ (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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