

Press Release

Subrata Kundu Construction Company Private Limited

May 30, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 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. 7.00 crore bank facilities of Subrata Kundu Construction Company Private Limited. The outlook is '**Stable**'.

The entity was formed as a proprietorship concern in 1980 by Mr. Subrata Kundu and subsequently, the constitution was changed to a private limited company in 2011. Subrata Kundu Construction Company Private Limited (SKCPL) is involved in construction of roads, bridges, government buildings and other civil construction contracts mainly with Government departments in West Bengal.

Key Rating Drivers

Strengths

- **Experienced Management**

The promoter by Mr. Subrata Kundu is engaged in the construction line of business since the past almost four decades and over the years, has been able to establish comfortable relations with its key clients.

- **Healthy Margins**

SKCPL's profitability is marked by operating margins of 13.83 percent in FY2016 as compared to 20.69 percent in FY2015. The PAT stood at 2.33 percent in FY2016 as compared to 5.61 percent in FY2015.

Weaknesses

- **Working capital intensive operations**

SKCPL's working capital intensive operations are marked by high GCA of 290 days and 542 days in FY2016 and FY2015 respectively. This intensifies large working capital requirements as funds get blocked in inventory and is also effecting its ability to payback its current

liabilities. Inventory stood at 272 days in FY2016 as compared to 509 days in FY2015, mainly due to inherent cyclicity of construction industry. Also, the creditors were at 151 days and 427 days in FY2016 and FY2015 respectively. The debtors were nil in both FY2016 and FY2015.

• Significant decline in revenue

The revenue of SKCPL declined significantly to Rs.6.81 crore in FY2016 from Rs.28.61 crore in FY2014. This is because of SKCPL's tender based nature of business. The decline in revenue is on account of lesser orders in FY2016.

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profiles of the entity.

Outlook: Stable

SMERA believes that SKCPL will maintain a stable business profile in the medium term while benefitting from its experienced management. The outlook may be revised to 'Positive' if SKCPL scales up operations and also improves working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues or if the working capital cycle further deteriorates.

About the Rated Entity - Key Financials

For FY2016, SKCPL reported profit after tax (PAT) of Rs.0.40 crore on total operating income of Rs.6.81 crore, as compared with PAT of Rs.0.53 crore on total operating income of Rs.5.07 crore in FY2015. The tangible net worth stands at Rs.5.22 crore in FY2016 as compared to Rs.5.17 crore in FY2015.

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	3.50	SMERA B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA A4

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