

Press Release

Construction Technique

10 June, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.11.00 Cr
Long Term Rating	SMERA BB-/ Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned a long term rating of '**SMERA BB-**' (read as SMERA double B minus) and short term rating of '**SMERA A4+**' (read as SMERA 4 four plus) on the above mentioned Rs.11.00 crore bank facility of Construction Technique(CT). The outlook is '**Stable**'

CT was established in 1992 as a partnership firm by Mr. Harish Ruparel and Mr. Bipin Fafadia. The firm undertakes construction of factories and residential and commercial buildings, along with restoration of heritage monuments. The firm has executed several projects related to restoration of heritage monuments at Punjab Heritage Tourism, Archaeological Department of Nasik, and Central Public works department – Shimla.

List of Key Rating Drivers and their detailed description

Strengths

Experienced Management: Construction Technique benefits from its experienced management. The partners possess for more than two decades of experience in similar line of business.

Moderate Financial Risk Profile: Construction Technique has a moderate financial risk profile marked by gearing of 1.31 times as on 31 March 2016 and interest coverage ratio (ICR) of 2.61 times for FY2015-16. As per provisional financials, the firm's gearing stood at 0.84 times as on 31 March 2017 and ICR improved to 4.79 times for FY2017. The firm has low net worth of Rs. 3.50 crores as on 31st March 2017.

Healthy Order book position: Construction Technique has healthy order book position of around Rs. 85.38 crores which needs to be completed in the next two years.

Weaknesses

Modest Scale of Operations: Construction Technique has modest scale of operations with operating income of Rs. 8.66 cr for FY16 as against Rs. 8.65 cr for FY15 in spite of the firm being in the same line of the business since 1992. However, as per the provisional financials the revenue increased to Rs. 21.78 cr for FY2016-17

Uneven profit margins: The margins of Construction Technique have been uneven during the period under study due to tender based nature of the business. Operating margins stood at 15.77 per cent in FY2015-16 as against 13.08 per cent for FY2014-15. As per provisional financials for FY2016-17, operating margin declined to 13.81 per cent.

Working capital intensive nature of operations: Construction Technique has a working capital intensive nature of operations marked by high gross current asset days on account of high debtor and inventory days. In FY2015-16, the gross current asset days stood at 334 while debtor days stood at 144 and inventory holding period was 92 days.

Competitive and fragmented Industry: Construction Technique is a civil contractor firm. While the sector is marked by the presence of several mid to big size players resulting in intense market competition, this risk is mitigated to an extent as management operating in this environment for more than two decades.

Analytical approach: Standalone business and financial risk profile of the company

Applicable Criteria

- Infrastructure Entities: <https://www.smera.in/criteria-infra.htm>
- 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 the outlook on Construction Technique's rated facilities will remain stable over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' if the firm achieves substantial increase in revenue and sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's capital structure or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the rated entity

CT was established in 1992 as a partnership firm by Mr. Harish Ruparel and Mr. Bipin Fafadia. The firm undertakes construction of factories and residential and commercial buildings, along with restoration of heritage monuments. The firm has executed several projects related to restoration of heritage monuments at Punjab Heritage Tourism, Archaeological Department of Nasik, and Central Public works department – Shimla.

For FY2016-17, the firm reported profit after tax PAT of Rs. 2.24 cr on operating income of Rs. 21.51 cr, as compared with PAT of Rs.1.01 cr on operating income of Rs.8.66 cr in FY2015-16. The net worth stood at Rs 3.50 cr as on March 31, 2017 against Rs1.89 cr a year earlier.

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

Any other information: Not Applicable

Rating History for the 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. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	4.50	SMERA BB-/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	6.50	SMERA A4+ (Assigned)

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ABOUT SMERA

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