

Press Release

Central India Associates

July 19, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.38 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA BB minus) on the Rs. 6.38 crore bank facilities of Central India Associates. The outlook is '**Stable**'.

Central India Associates (CIA) was established by partners Mr. N. B Lalsan, Mr. N L Tushar and Mr. N. B Harish among others. The firm is a class 'A' category contractor engaged in the collection, crushing, screening, disposal, loading and transportation of LD slag. The firm has installed processing capacity of 200 MTP per hour. The facility is located at Bhilai.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

CIA was established in 1985 as a partnership firm by Mr. N. B. Lalsan, Mr. N. B. Harish and Mr. N. L. Tushar. The management possesses experience of over a decade in the industry.

- Moderate financial risk profile**

The financial risk profile is moderate marked by gearing of 3.19 times as on 31 March 31, 2016 as compared to 4.07 times as on 31 March 31, 2015. This is mainly on account of unsecured loans of Rs.10.47 crore as on 31 March, 2016. The coverage stood high at 4.72 times for FY2016 as compared to 3.88 times for FY2015. The DSCR stood at 3.69 times for FY2016 as compared to 3.19 times for FY2015. The gearing is expected to increase marginally since CIA has applied for a term loan.

- Efficient working capital management and comfortable liquidity**

CIA has exhibited efficient working capital management. This was mainly on account of quick payments received from customers due to established relations of over three decades. The net cash accruals stood at Rs. 4.32 crore in FY2015-16.

Weaknesses

- Moderate scale of operations**

The operations are at a moderate level despite the firm being in the construction business from the last three decades. The firm achieved operating income of Rs. 37.25 crore in FY2015-16 as compared to Rs. 25.55 crore in FY2014-15. Being a contractor, the revenue of the firm depends on the successful bids and the tenders released in the financial year.

- Moderate order book position**

The firm has moderate order book position marked by current orders in hand of Rs. 35.51 crore as on 01 January, 2017. In FY2017 (Provisional), CIA booked revenue of Rs. 36.98 crore as compared to Rs. 37.25 crore in FY2016 and Rs. 25.55 crore in FY2015.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Central India Associates (CIA).

Outlook: Stable

SMERA believes that CIA will maintain a stable outlook owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher than expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability, deterioration in the financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, CIA reported profit after tax (PAT) of Rs.3.07 crore on operating income of Rs.37.25 crore compared to PAT of Rs.1.67 crore on operating income of Rs. 25.55 crore for FY2014-15.

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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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	4.88	SMERA BB- / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA BB- / Stable

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