

Press Release

Sumeet Facilities Private Limited

August 02, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-' (read as SMERA BB minus)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs. 11.00 crore bank facilities of Sumeet Facilities Private Limited. The outlook is '**Stable**'.

Sumeet Facilities Private Limited (SFPL) was incorporated in 1992. Promoted by Mr. Prabhakar Salunke and his wife, Ms. Sunanda Salunkhe, the company provides integrated facility management services (manpower - skilled and unskilled workers, housekeeping etc.) and caters to over 200 clients spread across Maharashtra, Gujarat and New Delhi.

Key Rating Drivers

Strengths

- **Experienced management**

SFPL has long operational track record of around three decades in facilities management. The promoters, Mr. Prabhakar Salunke and his wife, Ms. Sunanda Salunkhe, have over two decades of experience in the service sector. Thus, the company has been able to forge long lasting relationships with its customers.

- **Healthy revenue growth**

SFPL registered healthy operating income growth at a CAGR of 11.73 percent for the period FY2014 to FY2017 on account of increase in value of existing contracts and addition of new clients. The operating income stood at Rs.79.07 crore in FY2017 (Provisional) compared to Rs.68.46 crore in FY2016 and Rs.63.06 crore in FY2015.

Weaknesses

- **Working capital intensive operations**

SFPL has working capital intensive operations marked by Gross current asset (GCA) of 93 days in FY2017 as against 83 days in FY2016 and 84 days in FY2015. The high GCA days emanate from the high debtor days of 83 in FY2017 (Provisional). The average utilisation of working capital limit stood at ~80 to 90 percent for the last six months ended June 2017.

- **Moderate financial risk profile**

SFPL's financial risk profile has been moderate marked by gearing (Debt-to-equity) of 1.46 times as on 31 March, 2017 (Provisional) as against 2.01 times as on 31 March, 2016. The interest coverage ratio (ICR) stood at 2.96 times in FY2017 (Provisional) as against 2.18 times in FY2016. The debt service coverage ratio (DSCR) stood at 1.70 times for FY2017 (Provisional) compared to 1.15 times for FY2016. Further, SFPL also has exposure to group companies via non-current investments worth Rs.5.00 crore which is ~64 per cent of SFPL's tangible net worth. As indicated by the management, the

exposure to group companies is not likely to increase in the near to medium term.

• **Competitive and fragmented industry**

SFPL operates in a highly fragmented and competitive industry with a large number of organised and unorganised players.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of SFPL to arrive at the rating.

Outlook: Stable

SMERA believes that SFPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers consistent growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profit margins, deterioration in its financial risk profile and liquidity position.

About the Rated Entity - Key Financials

The company registered profit after tax (PAT) of Rs.1.91 crore on operating income of Rs.79.07 crore for FY2016-17 (Provisional), as against net profit after tax of Rs.1.49 crore on operating income of Rs.68.46 crore in FY2015-16. The net worth stood at Rs.9.71 crore as on 31 March, 2017 (Provisional)

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>
- Entities In Services Sector - <https://www.smera.in/criteria-services.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 BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.25	SMERA A4
Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA A4

Contacts

Analytical	Rating Desk
Vinayak Nayak	Varsha Bist

Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Ankit Gupta Analyst - Rating Operations Tel: 022-67141263 ankit.gupta@smera.in	Sr. Executive Tel: 022-67141160 varsha.bist@smera.in
---	--

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*