



Press Release

Latala Construction Co

August 30, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 35.00 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. 35.00 crore bank facilities of Latala Construction Co. The outlook is '**Stable**'.

The Jaipur-based Latala Construction Company (LCC) established in 1998 by Mr Satya Narain Gurjar and Mr Padam Chand Gurjar is engaged in the civil construction business. The firm undertakes construction of roads, highways for government authorities such as Public Work Department (PWD), Jaipur Development Authority (JDA), National Highway Authority of India (NHAI) to name a few. The firm is a 'AA' class contractor.

Key Rating Drivers

Strengths

- **Experienced partners**

The partners, Mr Satya Narain Gurjar and Mr Padam Chand Gurjar possess extensive experience of around two decades in the Engineering, Procurement and Construction (EPC) industry.

- **Average financial riskprofile**

The financial risk profile of the firm is moderate. The networth stood at Rs. 11.82 crore as on 31 March, 2017 (Provisional) compared to Rs. 11.07 crore in the previous year. The networth includes unsecured loans of Rs. 2.27 crore from promoters which is subordinated to bank debt. Hence SMERA has treated this amount as quasi equity. The gearing levels have been comfortable at around 0.81 times in FY2017 (Provisional) as against 0.46 times in FY2016. The total debt of Rs. 9.53 crore as on 31 March, 2017 (Provisional) includes long term loan of Rs.5.29 crore and short term working capital loan of Rs.4.24 crore. The debt protection metrics are healthy with interest coverage of around 2.92 times in FY2017 (Provisional) compared with 4.26 times in the preceding year. The Net Cash Accrual to Total Debt (NCA/TD) stood at 0.28 times in FY2016-17 (Provisional) as against 0.79 times in FY2015-16. Further, the Debt Service Coverage Ratio (DSCR) declined to a moderate 1.80 times in FY2016-17 (Provisional) compared to 2.89 times in FY2015-16.

Weaknesses

- **High dependence on government orders**

The firm is highly dependent on government orders and is exposed to intense competition in the industry

- **Working capital intensive operations**

LCC has working capital intensive operations with gross current assets (GCA) of 142 days in FY2015-16 and 207 days in FY2016-17 (Provisional). The high GCA days are evident from the debtors days of

19 in FY2015-16 and 20 in FY2016-17 (Provisional). The inventory days stood at 20 in FY2015-16 and 19 in FY2016-17 (Provisional). Further, the cash credit has been fully utilised for the last 12 months ended March 2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook owing to the extensive experience of the partners. The outlook may be revised to 'Positive' in case the firm sustains increase in revenues and accruals while registering improvement in the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure and liquidity position due to higher than expected working capital requirement.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the firm reported (profit after tax) PAT of Rs.1.38 crore on operating income of Rs.37.80 crore compared with PAT of Rs.2.97 crore on operating income of Rs.52.19 crore in FY2015-16. The net worth stood at Rs.11.82 crore as on 31 March, 2017 against Rs.11.07 crore a year earlier.

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>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.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	15.00	SMERA A4
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA A4

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ABOUT SMERA

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