

Press Release

My Associates

August 31, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.50 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. 12.50 crore bank facilities of My Associates. The outlook is '**Stable**'.

My Associates (MA) established in 1978 provides turnkey water management solutions (laying of water supply transmission lines). The firm promoted by Mr. Mohammed Nisar Yunus Shaikh is engaged in the laying of pipelines and executing water projects (underground utilities for water, sewage and storm water drains). The firm is a 'AA' Class contractor with government bodies such as the Municipal Corporation of Greater Mumbai, Nashik Municipal Corporation, Goa State Infrastructure Development Corporation Limited among others. The firm bids for tenders of State Government of Maharashtra that constitutes 85.00 percent of its revenue.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The firm was established in 1978. The promoter, Mr. Mohammed Nisar Yunus Shaikh has over four decades of experience in the said line of business. This has helped build healthy relations with customers and suppliers and benefit from repeat orders.

- **Average financial risk profile**

The average financial risk profile is marked by low gearing and moderate coverage indicators. The gearing (debt-to-equity) stood at 0.65 times as on 31 March, 2016 as against 0.89 times as on 31 March, 2015. The total debt mainly comprises term loan and working capital borrowings. The coverage indicators have been moderate. ICR (interest coverage ratio) stood at 1.57 times and NCA/TD at 0.12 times for FY2016 against ICR of 1.83 times and NCA/TD of 0.13 times in FY2015. Further, the tangible networth stood at Rs.8.49 crore as on 31 March, 2016.

- **Comfortable profitability**

MA has comfortable profitability marked by operating margin of 17.93 percent and PAT (profit after tax) margin of 4.76 percent in FY2016 as against operating margin of 14.10 percent and PAT margin of 5.01 percent in FY2015.

Weaknesses

- **Small scale of operations, declining trend in operating income**

MA has operating income of Rs.9.28 crore for FY2016 as against Rs.12.56 crore in FY2015 and Rs.21.54 crore in FY2014. Further, MA achieved operating income of ~8.50 crore in FY2017. The nature of operations are tender based. However, MA has order book position of Rs.51.32 crore which

provides revenue visibility for the medium term.

• Working capital intensive operations

MA has working capital intensive operations marked by GCA (gross current assets) of 388 days for FY2016 against 305 days for FY2015. This is mainly on account of inventory days of 229 and debtor days of 159 for FY2016. The working capital cycle days stood at 206 for FY2016 and 202 for FY2015. The average utilisation of working capital borrowing stood at ~71.36 percent for the last six months.

• Tender based operations

Around 85 percent revenue is derived through tenders based projects from the government of Maharashtra. Delays in project execution along with delayed receipts from the government and site related issues are likely to result in higher working capital requirements.

• Highly competitive and fragmented industry

The sector is marked by the presence of several mid to big sized players. The firm is exposed to intense competition in the industry. The risk is more pronounced as tenders are based on the minimum amount of bidding.

Analytical Approach

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

Outlook: Stable

SMERA believes that MA will maintain a stable outlook over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' if the firm registers higher-than-expected growth in revenues and net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported net profit of Rs.0.44 crore on operating income of Rs.9.28 crore, compared with net profit of Rs.0.63 crore on operating income of Rs.12.56 crore in FY2014-15. The net worth stood at Rs.8.49 crore as on 31 March, 2016 as against Rs.8.14 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>
- 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
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Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A4

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ABOUT SMERA

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