

Press Release

SUFALAM INFRA PROJECT LIMITED

January 04, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 10.00 crore bank facilities of SUFALAM INFRA PROJECT LIMITED. The outlook is '**Stable**'.

The Nagpur-based Sufalam Infra Project Limited (SIPL) was incorporated in 2011. The company, promoted by Mr. Rajesh Agarwal and Mr. Sanjay Agarwal, undertakes EPC projects.

Key Rating Drivers

Strengths

- **Experienced management**

Mr. Rajesh Agarwal and Sanjay Agarwal have around a decade of experience in the industry.

- **Above average financial risk profile**

SIPL's average financial risk profile is marked by moderate net worth of Rs.17.02 crore in FY2017 as against Rs.15.59 crore in FY2016. The increase is mainly on account of retention of current year profit. The gearing stood comfortable at 0.61 times in FY2017 compared to 0.60 times in the previous year. The Interest Coverage Ratio (ICR) stood comfortable at 3.05 times and Debt Service Coverage Ratio (DSCR) at a comfortable 2.57 times in FY2017.

Weaknesses

- **Customer concentration risk**

The company is in the process of executing a turnkey project named Vrindavan for Radha Madhav Developers (RMD) and has begun work on another project - Gokul last month. As on date the company has completed ~60 percent work on the Vrindavan project. SIPL has orders to execute Phase I and Phase II of Gokul apart from securing principal contractor licence (Class I) from PWDs of Maharashtra and Madhya Pradesh. However, the company is yet to execute a project under the license.

- **Working capital intensive operations**

The business is working capital intensive marked by high Gross Current Assets (GCA), which increased to 396 days in FY2017 from 135 days in FY2016. This has necessitated higher working capital as huge funds are blocked under outstanding debtors. The debtor days stood at 353 in FY2017 compared to 100 in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SIPL.

Outlook: Stable

SMERA believes that SIPL will maintain a Stable outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of escalation in working capital requirements resulting in pressure on margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	30.14	74.83	69.07
EBITDA	Rs. Cr.	4.24	6.78	6.72
PAT	Rs. Cr.	1.43	3.68	3.74
EBITDA Margin	(%)	14.06	9.05	9.73
PAT Margin	(%)	4.76	4.91	5.41
ROCE	(%)	13.45	23.68	49.97
Total Debt/Tangible Net Worth	Times	0.61	0.60	0.99
PBDIT/Interest	Times	3.05	9.47	21.75
Total Debt/PBDIT	Times	2.44	1.37	1.76
Gross Current Assets (Days)	Days	396	135	132

Status of non-cooperation with previous CRA (if applicable)

NA

Any other information

NA

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-Sep-2016	Cash Credit	Long Term	INR 10	SMERA B+ / Stable

*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	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B+ / Stable

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