

Press Release

STONE CONCERN INFRASTRUCTURE DEVELOPMENT PRIVATE LIMITED

15 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 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**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 30.00 crore bank facilities of STONE CONCERN INFRASTRUCTURE DEVELOPMENT PRIVATE LIMITED. The outlook is '**Stable**'.

Stone Concern Infrastructure Development Pvt Ltd (SCIDPL), a civil construction company was established in 1996 as a partnership firm and converted to a closely held company in 2007. The company caters to the central and state governments.

Key Rating Drivers

Strengths

- **Long track record of operations, experienced management**

The promoters, Mr. Jai Prakash Changlani, Mrs. Usha Changlani and Mr. Kanak Changlani have experience of more than a decade in the construction industry.

- **Above average financial risk profile**

The above average financial risk profile is marked by moderate networth, comfortable gearing and healthy debt protection metrics. The networth stood moderate at Rs.15.21 crore in FY2017, an increase from Rs.10.16 crore in FY2016. This is mainly on account of retention of current year profit and infusion of money in the form of unsecured loan of Rs.7.00 crore in FY2017 as compared to Rs.3.45 crore in the previous year. SMERA has treated the entire amount of Rs.7.00 crore as quasi equity and included it in the networth as the same is subordinated to bank debt. The gearing stood comfortable at 0.83 times in FY2017, a decline from 1.18 times in FY2016. This is mainly on account of increase in net worth base. The total debt of Rs.12.61 crore comprises long term unsecured loan from directors/promoters of Rs.3.02 crore and short term debt of Rs.9.59 crore. The Interest Coverage Ratio (ICR) of the company stood comfortable at 2.74 times in FY2017 and Debt Service Coverage Ratio (DSCR) at 2.70 times in FY2017. The net cash accruals against total debt stood at 0.23 times in FY2017.

Weaknesses

- **Moderate scale of operations**

The scale of operations is moderate with turnover of around Rs. 64 crore in 2017 as against Rs. 58 crore in the preceding year. The company booked revenue of around Rs.30.00 crore till November 2017 (Provisional).

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Asset (GCA) days of 109 in FY2017 compared to 113 days in FY2016. The high GCA is mainly on account of high debtor days of 71 in FY2017. The receivables are moderately high due to payments from government authorities.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SCIDPL

Outlook: Stable

SMERA believes that SCIDPL 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 sustained growth in revenue while improving margins along with working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or if the working capital cycle elongates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.00	57.98	50.68
EBITDA	Rs. Cr.	0.00	4.39	3.91
PAT	Rs. Cr.	0.00	0.81	1.18
EBITDA Margin	(%)	6.08	7.58	7.71
PAT Margin	(%)	2.34	1.40	2.34
ROCE	(%)	13.39	16.77	30.69
Total Debt/Tangible Net Worth	Times	0.83	1.18	1.28
PBDIT/Interest	Times	2.74	2.37	3.25
Total Debt/PBDIT	Times	2.65	2.31	2.27
Gross Current Assets (Days)	Days	109	113	109

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

CRISIL Ratings in its press release dated July 31, 2017 inter alia has stated the following: Despite repeated attempts to engage with the management, CRISIL failed to receive any information on SCIDPL's strategic intent. This restricts CRISIL's ability to take a forward looking view on the credit quality of the entity. CRISIL believes information available for SCIDPL is consistent with 'Scenario 5' outlined in the 'Framework for Assessing Consistency of Information' and has hence reaffirmed its ratings at 'CRISIL B+/Stable/CRISIL A4' on SCIDPL's bank facilities.

Any other information

NA

Applicable Criteria

- DefaultRecognition - <https://www.smerra.in/criteria-default.htm>
- InfrastructureEntities - <https://www.smerra.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4+

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ABOUT SMERA

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