

Press Release

S S Construction

03 May, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 22.00 Cr.
Long Term Rating	SMERA BBB-/ Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) and short term rating of '**SMERA A3**' (read as SMERA A three) on the Rs.22.00 crore bank facilities of S S Construction. The outlook is '**Stable**'.

S S Construction (SSC), a Maharashtra-based partnership firm incorporated in 2004 is promoted by Mr. Balasaheb More and Mr. Avinash Jagtap. The firm undertakes civil construction contracts for the Maharashtra government for construction of canals, dams, barrages and also undertakes industrial project contracts for private sector companies. The firm is registered with Public Works Department of Government of Maharashtra as Class I-A.

Key rating drivers

Strengths

Established track record of operations and experienced management

SSC has been executing civil construction contracts in Maharashtra for more than a decade. The key partners, Mr. Balasaheb More and Mr. Avinash Jagtap possess around two decades of experience in the civil construction industry.

Comfortable financial risk profile

The financial risk profile is comfortable marked by tangible net worth of Rs.12.91 crore as on 31 March, 2017 as against Rs.7.15 crore in the previous year. The gearing stood at 0.21 times on 31 March, 2017 as against 0.96 times in the previous year. The total debt of Rs.2.76 crore includes term loan borrowings from bank of Rs.0.80 crore, unsecured loans from promoters of Rs.0.43 crore and working capital fund of Rs.1.53 crore.

The Interest coverage ratio (ICR) stood at 7.29 times for FY2017 as against 7.65 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 5.82 times for FY2017 as against 6.41 times for FY2016. The Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 1.19 times as on 31 March, 2017 as against 2.61 times in the previous year. The Net Cash Accruals to Total Debt (NCA/TD) stood at 1.48 times in FY2017 as compared to 0.76 times in FY2016.

Efficient working capital management and adequate liquidity

The firm continues to efficiently manage its working capital requirement with Gross Current Asset days of 89 for FY2017 as compared to 86 in the previous year. Further, the liquidity

remains adequate because of comfortable cash accruals of Rs.4.08 crore as against debt repayment obligation of Rs.0.28 crore over the medium term. The average cash credit utilisation for the last six months stood at around 61.44 percent ended 31 March, 2018.

Weaknesses

Uneven revenue trend due to tender based operations

SSC registered operating income of Rs.57.39 crore for FY2017 as against Rs.65.82 crore for FY2016 and Rs.48.11 crore for FY2015 exhibiting uneven trend. Besides, the tender-based business makes the firm vulnerable to order cyclical. The firm has reported operating income of Rs.85.00 crore (Provisional) for FY2018. SSC has unexecuted order book position of Rs.134.45 crore to be executed by January, 2020 which will provide moderate revenue visibility over the medium term.

Profitability susceptible to fluctuations in raw material prices

The prices of main raw materials i.e. iron, steel and cement are highly volatile in nature. Further, the raw material cost constitutes around 51 percent of total sales. Hence, any adverse movement in raw material prices can adversely impact the profitability and operations of the firm. However, the firm reported EBITDA margin of 7.92 percent for FY2017 as against 8.95 percent in the previous year.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of S S Construction to arrive at the rating.

Outlook - Stable

SMERA believes that SSC's outlook will remain 'Stable' over the medium term on account of extensive experience of the partners and established operational track record. The outlook may be revised to 'Positive' in case of significant growth in revenue and profitability while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in net cash accruals, deterioration in the financial and liquidity profile due to higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	57.39	65.82	48.11
EBITDA	Rs. Cr.	4.55	5.89	3.16
PAT	Rs. Cr.	3.76	4.93	2.22
EBITDA Margin	(%)	7.92	8.95	6.58
PAT Margin	(%)	6.55	7.49	4.62
ROCE	(%)	29.69	43.00	46.98
Total Debt/Tangible Net Worth	Times	0.21	0.96	1.07
PBDIT/Interest	Times	7.29	7.65	4.41
Total Debt/PBDIT	Times	0.58	1.14	2.02
Gross Current Assets (Days)	Days	89	86	65

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

None

Any other information:

Not Applicable

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BBB-/ Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BBB-/ Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	9.50	SMERA A3 (Assigned)
Proposed Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A3 (Assigned)

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ABOUT SMERA

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