

Press Release

S T Constructions Private Limited (STCPL)

May 22, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs.35.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable (Upgraded from BB+/Stable)
Short Term Rating	SMERA A3 (Upgraded from A4+)

* Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating to '**SMERA BBB-** (read as SMERA triple B minus) from '**SMERA BB+**' (read as SMERA double B plus) and the short term rating to '**SMERA A3**' (read as SMERA A three) from '**SMERA A4+**' (read as SMERA A four plus) on the Rs.35.00 crore bank facilities of S T Construction Private Limited (STCPL). The outlook is '**Stable**'.

The rating revision is in view of improved business risk profile backed by unexecuted order book of Rs.353.57 crore which is to be executed over a span of 2 years thereby giving revenue visibility in the coming years. Further, the rating also incorporates STCPL's ability to manage its working capital efficiently as reflected in Gross Current Assets of 113 days in FY2017 as against 102 days in FY2016 which is well within the range when compared to industry.

STCPL, incorporated in 2002, is a Delhi-based company promoted by Mr. Suristh Tiwary and Mrs. Shobha Tiwary. The company undertakes civil construction work for government organisations including Indian Railways, Noida/Greater Noida Authority, Rail India Technical and Economic Service (RITES) India Ltd., Meerut Development Authority to name a few.

Key Rating Drivers

Strengths

Experienced management:

STCPL benefits from extensive experience of its management. The Directors possess over two decades of experience in the civil construction industry. They are supported by a team of professionals having experience of over two decades in the industry.

Healthy order book:

STCPL has unexecuted order book of Rs.353.57 crore as on 28 February, 2018. This provides revenue visibility for near to medium term.

Comfortable financial risk profile

STCPL has comfortable financial risk profile marked by tangible networth of Rs.23.64 crore as on 31 March, 2017 as against Rs.20.38 crore as on 31 March, 2016. The gearing (debt-equity) stood at 0.46 times as on 31 March, 2017 as against 0.63 times as on 31 March, 2016. The total debt of Rs.10.81 crore as on 31 March, 2017 comprises unsecured loan of Rs.6.77 crore from promoter's family, long term loans of Rs.0.05 crore and working capital borrowing of Rs.3.99 crore. The Interest Coverage Ratio (ICR) stood at 2.75 times for FY2017 as against 7.90 times for FY2016. This is mainly because of the increase in interest obligation. Total outside Liability / Total Networth (TOL/TNW) stood comfortable at 1.44 times in FY2017 as against 1.66 times in FY2016. SMERA believes that the company will continue to benefit through comfortable financial risk profile over near to medium term.

Efficiently managed working capital cycle:

STCPL has efficiently managed its working capital as reflected in Gross Current Assets (GCA) of 113 days in FY2017 as against 102 days in FY2016. Inventory stood at nil in FY2017 and FY2016. This is mainly because the company is a receivables contractor. The company had debtors outstanding of 64 days in FY2017 as against 55 days in FY2016.

Weaknesses

Moderate scale of operations due to tender based nature of business:

The operations are considered to be at moderate level despite the company being in the construction business for ~16 years. The company has achieved operating income of Rs.115 crore in FY2018 (Provisional) compared to Rs.107.22 crore in FY2017 and Rs.106.28 crore in FY2016. Being a civil contractor, the revenue of the company depends on the number of successful bids and the tenders being released in the financial year. Further, the operating margins have improved to 6.62 percent in FY2017 from 4.78 percent in FY2016. This is mainly due to reduced job work expenses.

Analytical Approach:

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

Outlook: Stable

SMERA believes that STCPL will maintain a 'Stable' outlook on account of experienced management. The outlook may be revised to 'Positive' in case of significant growth in scale of operations while maintaining profitability and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the scale of operations or profitability thereby impacting the financial risk profile. Further, any significant elongation in working capital cycle thereby putting pressures on STCPL's liquidity would entail a 'Negative' outlook.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	107.26	106.28	104.91
EBITDA	Rs. Cr.	7.10	5.08	3.98
PAT	Rs. Cr.	3.25	3.05	2.99
EBITDA Margin (%)	(%)	6.62	4.78	3.79
PAT Margin (%)	(%)	3.03	2.87	2.85
ROCE (%)	(%)	22.43	17.87	20.33
Total Debt/Tangible Net Worth	Times	0.46	0.63	0.93
PBDIT/Interest	Times	2.75	7.90	5.23
Total Debt/PBDIT	Times	1.35	2.05	2.87
Gross Current Assets (Days)	Days	113	102	100

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smerra.in/criteria-infrastructure.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 (Up to last three years):

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
19-Mar-2018	Cash Credit	Long Term	3.00	SMERA BB+ (Indicative)
	Bank Guarantee	Short Term	29.00	SMERA A4+ (Indicative)
	Proposed Long Term Loan	Long Term	3.00	SMERA BB+ (Indicative)
28-Jan-2017	Cash Credit	Long Term	3.00	SMERA BB+/Stable (Reaffirmed)
	Bank Guarantee	Short Term	29.00	SMERA A4+ (Reaffirmed)
	Proposed Long Term Loan	Long Term	3.00	SMERA BB+/Stable (Assigned)
24-Dec-2016	Cash Credit	Long Term	2.50	SMERA BB+/Stable (Upgraded)
	Bank Guarantee	Short Term	13.50	SMERA A4+ (Reaffirmed)
31-Jul-2015	Cash Credit	Long Term	2.50	SMERA BB/Stable (Assigned)
	Bank Guarantee	Short Term	13.50	SMERA A4+ (Assigned)

***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	5.00	SMERA BBB-/Stable (Upgraded)
Bank Guarantee*	Not Applicable	Not Applicable	Not Applicable	29.00	SMERA A3 (Upgraded)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BBB-/Stable (Upgraded)

* Sublimit of BG includes Letter of credit of Rs.3.00 crore.

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ABOUT SMERA

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