

December 20, 2013

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.00	SMERA BB-/Stable (Assigned)
Import Letter of Credit-cum-Buyer's Credit	2.25	SMERA A4+ (Assigned)
Bank Guarantee	2.00	SMERA A4+ (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (read as **SMERA double B minus**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.5.25 crore bank facilities of Continental Piling & Excavation Private Limited (CPEPL). The outlook is '**Stable**'. The ratings are constrained by the company's short track record and small scale of operations. The ratings are also constrained by the company's high dependence on the construction sector. However, the ratings are supported by the company's moderate order book position and healthy debt protection metrics.

CPEPL, established in 2009, is a Delhi-based company engaged in providing piling and excavation services. CPEPL has a small scale of operations with revenues of Rs.12.74 crore in FY2012-13 (refers to financial year, April 01 to March 31). Currently, the company has three piling rigs, which restricts its ability to execute large orders and undertake more than three projects simultaneously. CPEPL caters to the construction sector, which is currently undergoing a slowdown.

CPEPL has a moderate order book position of Rs.7.93 crore (as on November 22, 2013), which includes orders in process. The company targets revenues of Rs.13.00 crore in FY2013-14. CPEPL has maintained operating profit margins in the range of 15 per cent to 25 per cent and net profit margins in the range of 4 per cent to 6 per cent during the last three years. The company's leverage is high at 3.19 times as on March 31, 2013. However, CPEPL's total debt (of Rs. 6.65 crore as on March 31, 2013) mainly comprises interest-free unsecured loans from shareholders. In FY2013-14, CPEPL availed a long-term loan of Rs.3.01 crore to repay buyer's credit due in April 2014. CPEPL has healthy debt coverage indicators with interest coverage ratio of 7.60 times and cash DSCR of 1.42 times in FY2012-13.

Outlook: Stable

SMERA believes that CPEPL will continue to benefit over the medium term from its moderate order book position. The outlook may be revised to 'Positive' in case the company registers a sustained growth in revenues. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's revenues and profit margins or in case of significant deterioration in the company's financial risk profile on account of higher-than-expected working capital borrowings.

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About the company

CPEPL, incorporated in 2009, is a Delhi-based company promoted by Mr. Dhruv Gupta and Mr. Deepak Agarwal. CPEPL is engaged in providing piling and excavation services. The company has its own piling equipments, which are also rented out. CPEPL has an administrative office in Delhi. The company has executed projects in Delhi, Chennai and Kolkata.

For FY2012-13, CPEPL reported PAT of Rs.0.74 crore on operating income of Rs.12.74 crore, as compared with PAT of Rs.0.54 crore on operating income of Rs.10.02 crore for FY2011-12. The company registered revenues of Rs.4.92 crore during April 2013 to September 2013. CPEPL's net worth stood at Rs.2.09 crore as on March 31, 2013, as compared with Rs.1.35 crore a year earlier.

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