

April 28, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.25	SMERA BB/Stable (Assigned)
Bank Guarantee	4.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (**read as SMERA double B**) to the Rs.3.25 crore long-term bank facilities and '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.4.00 crore short-term bank facilities of Sanrachana Structural Strengthening Private Limited (SSSPL). The outlook is '**Stable**'. The ratings are constrained by the company's small operating scale and working-capital intensive operations in a highly fragmented and competitive industry. However, the ratings are supported by the company's experienced management, healthy profit margins, low leverage and reputed clientele.

SSSPL was incorporated in 2010 to take over the running business of Sanrachana, a proprietorship concern (established in 2004) engaged in undertaking structural modifications, strengthening of reinforced concrete (RCC) structures, structural repairs and restoration, seismic retrofitting, blast up-gradation, waterproofing and protective coating work. SSSPL has small-scale operations reflected in total operating income of Rs.17.12 crore and PAT of Rs.1.80 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company's operations are working capital-intensive, as evidenced by gross current assets of 122 days in FY2012-13. SSSPL faces intense competition from several players in the unorganised segment of the structural engineering industry.

SSSPL benefits from its experienced management. Dr. Mangesh Joshi, director of SSSPL, has a doctorate degree in civil engineering with around ten years of experience in the structural engineering industry. SSSPL reported healthy operating profit margin of 15.83 per cent and net profit margin of 10.54 per cent in FY2012-13. The company's leverage is low at 0.39 times as on March 31, 2013.

SSSPL caters to several reputed clients, including Reliance Energy Limited, Aircel, Larsen & Toubro, NTPC, Hindustan Unilever Limited, Hindalco, Maharashtra Agro Industries Development Corporation, Standard Chartered Bank, Times of India, Cipla, Johnson & Johnson and MSEB.

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Outlook: Stable

SMERA believes SSSPL will continue to benefit from its established operations, experienced management and healthy revenue visibility. The outlook may be revised to 'Positive' in case the company scales up its operations while maintaining healthy profit margins and comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues, or in case of sharp deterioration in the company's profitability.

About the company

SSSPL was incorporated in 2010 to take over the running business of Sanrachana, a proprietorship concern established in 2004 by Dr. Mangesh Joshi. SSSPL undertakes structural repairs and modifications, structural restoration, seismic retrofitting, waterproofing and protective coating works. The company is headquartered in Thane, Maharashtra. SSSPL has two branch offices in Delhi and Mumbai.

For FY2012-13, SSSPL reported PAT of Rs.1.80 crore on total operating income of Rs.17.12 crore, as compared with PAT of Rs.0.35 crore on total operating income of Rs.5.39 crore for FY2011-12. The company has orders worth ~Rs.25.00 crore as on March 25, 2014. SSSPL's net worth stood at Rs.5.69 crore as on March 31, 2013, as compared with Rs.0.48 crore a year earlier.

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