

**May 16, 2016**

| Facilities             | Amount<br>(Rs. Crore)                | Ratings                      |
|------------------------|--------------------------------------|------------------------------|
| Cash Credit            | 4.00<br>(Revised from Rs.3.25 crore) | SMERA BB/Stable (Reaffirmed) |
| Bank Guarantee         | 4.00                                 | SMERA A4+ (Reaffirmed)       |
| Cash Credit (Proposed) | 0.25<br>(Revised from Rs.1.00 crore) | SMERA BB/Stable (Reaffirmed) |

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (read as **SMERA double B**) and short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.8.25 crore bank facilities of Sanrachana Structural Strengthening Private Limited (SSSPL). The outlook is '**Stable**'. The rating reaffirmation draws support from the company's healthy financial risk profile and experienced management. However, the ratings are constrained by the small scale of operations and decline in margins. The ratings factor in the company's exposure to intense competition.

### Update

SSSPL reported net profit of Rs.2.10 crore on operating income of Rs.22.86 crore in FY2014-15 (refers to financial year, April 01 to March 31), as compared with net profit of Rs.2.95 crore on operating income of Rs.22.79 crore in FY2012-13. In FY2014-15, the company has also started its leasing operations by purchase of commercial complex in Mumbai. The operating profit margin improved to 19.19 per cent in FY2014-15 from 18.55 per cent in FY2013-14. In FY2015-16 (provisional), the company registered revenue of Rs.30.38 crore. However, there has been sharp decline in operating margins to ~12 per cent in FY2016 mainly driven by rental income from leased property. SSSPL has a comfortable order book position with pending orders of Rs.12.54 crore, likely to be executed in a year.

SSSPL's gearing had marginally increased; however, the same is comfortable at 0.89 times as on March 31, 2015 as compared to 0.51 times in the previous year. The interest coverage ratio has deteriorated from 13.46 times in FY2014 and stood at 5.26 times in FY2015 mainly on account of increase in long term debt resulting in higher interest cost in FY2015. The company's liquidity is comfortable with average bank limit utilisation for the past six months at 70.87 per cent ended March 31, 2016.

### Outlook: Stable

SMERA believes SSSPL will maintain a stable business risk profile over the medium term and continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' if the company registers strong growth in revenue while maintaining healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in revenue and profit margins.

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### About the Company

SSSPL was incorporated in 2010 to take over the existing business of Sanrachana, a proprietorship firm established in 2004 by Dr. Mangesh Joshi. The company undertakes structural repairs and modifications, restoration, seismic retrofitting among others. Headquartered at Thane, Maharashtra, the company has branch offices at Delhi and Mumbai. The company is also engaged in leasing out commercial property in Mumbai.

For FY2014-15, SSSPL reported profit after tax (PAT) of Rs.2.10 crore on operating income of Rs.22.86 crore, as compared with PAT of Rs.2.95 crore on operating income of Rs.22.79 crore in FY2013-14.

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