

Press Release

Sanrachana Structural Strengthening Private Limited

03 April, 2018

Rating Reaffirmed



Total Bank Facilities Rated *	Rs. 8.25 cr
Long Term Rating	SMERA BB/ Outlook: Stable
Short Term Rating	SMERA A4+

Refer Annexure for details

Rating Rationale

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**'.

SSSPL was incorporated in 2010 to take over the existing 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 and has two branch offices at Delhi and Mumbai.

Key Rating Drivers

Strengths

Experienced management

SSSPL benefits from its experienced management. Dr. Mangesh Joshi, Director, has a doctorate degree in civil engineering with around 10 years of experience in structural engineering. The promoter has developed healthy relations with customers and suppliers.

Reputed clientele

SSSPL caters to reputed clients including Larsen & Toubro, HSBC Bank, Delhi Metro Rail, Steel Authority of India Ltd., Ratan Tata trust, K Raheja Group to name a few.

Moderate financial risk profile

The tangible net worth of SSSPL stood at Rs. 13.95 crore as on 31 March, 2017 as against Rs. 12.67 crore as on 31 March, 2016. The debt equity ratio remained stable at 0.79 times as on 31 March, 2017 as compared to that of the previous year. The debt of Rs. 11.07 crore includes term loan of Rs. 6.07 crore and working capital borrowings of Rs. 5.00 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) improved to 4.13 times for FY2017 as against 4.06 times in FY2016. The Debt Service Coverage Ratio (DSCR), however fell to 1.82 times in FY2017 from 3.24 times in FY2016. The NCA/TD ratio stood at 0.19 times as on 31 March, 2017. The TOL/TNW ratio stood at 1.08 times as on 31 March, 2017. SSSPL reported net profit of Rs. 1.43 crore on operating income of Rs. 30.16 crore in FY2017. The company

continues to receive rental income of around Rs. 2.15 crore from leasing of commercial complex in Mumbai.

Weaknesses

Stretched working capital cycle

The working capital cycle of SSSPL increased from 61 days in FY2016 to 86 days in FY2017. The inventory holding period decreased to 36 days in FY2017 from 49 days in FY2016. The receivable days stood at a high of 69 days in FY2017 compared to 30 days in FY2016. The average bank limit utilisation stood at 50 percent for the last six months ended February 2018.

Analytical Approach

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

Outlook: Stable

SMERA believes that SSSPL will continue to maintain a Stable outlook and 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 revenues, or sharp deterioration in the company's profitability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	30.16	29.25	22.70
EBITDA	Rs. Cr.	3.93	4.64	4.39
PAT	Rs. Cr.	1.43	1.82	2.10
EBITDA Margin	(%)	13.02	15.85	19.33
PAT Margin	(%)	4.73	6.21	9.25
ROCE	(%)	13.76	18.15	22.55
Total Debt/Tangible Net Worth	Times	0.79	0.79	0.88
PBDIT/Interest	Times	4.13	4.06	5.25
Total Debt/PBDIT	Times	2.79	2.14	2.22
Gross Current Assets (Days)	Days	139	131	169

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entity in Manufacturing Sector - <https://www.smera.in/criteria-manufacturing.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

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings / Outlook
19 September, 2017	Cash Credit	Long Term	4.00	SMERA BB (Indicative)
	Bank Guarantee	Short Term	4.00	SMERA A4+ (Indicative)
	Proposed Cash Credit	Long Term	0.25	SMERA BB (Indicative)
16 May, 2016	Cash Credit	Long Term	4.00	SMERA BB/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	SMERA A4+ (Reaffirmed)
	Proposed Cash Credit	Long Term	0.25	SMERA BB/ Stable (Reaffirmed)
22 May, 2015	Cash Credit	Long Term	3.25	SMERA BB/ Stable (Assigned and reaffirmed)
	Bank Guarantee	Short Term	4.00	SMERA A4+ (Assigned and reaffirmed)
	Proposed Cash Credit	Long Term	1.00	SMERA BB/ Stable (Assigned and reaffirmed)
28 April, 2014	Cash Credit	Long Term	3.25	SMERA BB/ Stable (Assigned)
	Bank Guarantee	Short Term	4.00	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 BB / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.25	SMERA A4+

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ABOUT SMERA

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