

July 31, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	0.03	SMERA BB-/Stable (Assigned)
Cash Credit	2.00	SMERA BB-/Stable (Assigned)
Over Draft	1.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	3.00	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) and a short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the abovementioned bank facilities of Shivji Singla & Sons (Shivji). The outlook is '**Stable**'. The ratings are constrained by the firm's high dependence on tender-based contracts in an intensely competitive segment of the civil construction industry. The ratings are also constrained by the susceptibility of the firm's profit margins to volatility in raw material prices. The ratings factor in the risk of delays inherent in infrastructure projects undertaken by the firm. However, the ratings are supported by the firm's experienced management, healthy order book position and strong financial risk profile.

Shivji, established in 2005, is a Haryana-based partnership concern engaged in undertaking civil construction contracts. Shivji is highly dependent on tender-based contracts awarded by the state irrigation department. The firm faces intense competition from several players in the civil construction industry. Shivji's profit margins are susceptible to volatility in prices of raw materials viz. bricks, cement and concrete. The firm's operations are exposed to delays inherent in infrastructure development projects.

Shivji benefits from its experienced management. Mr. Shivji Singla, partner Shivji, has around three decades of experience in the civil construction industry. Shivji's healthy order book position is reflected in pending orders of Rs.24.90 crore as on May 31, 2014. The firm's strong financial risk profile is marked by low gearing (debt-to-capital ratio) of 0.76 times as on March 31, 2013 and moderate interest coverage ratio of 2.29 times in FY2012-13 (refers to financial year, April 01 to March 31).

Outlook: Stable

SMERA believes Shivji will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the firm's financial risk profile and liquidity position.

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About the firm

Shivji, incorporated in 2006, is a Haryana-based partnership firm engaged in undertaking civil construction work for state government irrigation departments.

Shivji reported profit after tax (PAT) of Rs.0.32 crore on net sales of Rs.11.31 crore in FY2012-13, as compared with PAT of Rs.0.63 crore on net sales of Rs.12.18 crore in FY2011-12. The firm's net worth stood at Rs.3.48 crore as on March 31, 2013, as compared with Rs.3.29 crores a year earlier.

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