

May 25, 2016

**CARE ASSIGNS 'CARE B+/CARE A4' RATINGS TO THE BANK FACILITIES OF
SHARMA CONSTRUCTION COMPANY**

Ratings

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	5	CARE B+ (Single B Plus)	Assigned
Short-term Bank Facilities	3	CARE A4 (A Four)	Assigned
Total Facilities	8 (Rupees Eight crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Sharma Construction Company (SCC) are constrained by its small scale of operations with low net-worth base, highly leveraged capital structure and working capital intensive nature of operations. The ratings are further constrained by the geographically concentrated revenue profile, SCC's presence in the fragmented construction sector and constitution of the entity being a proprietorship firm. The ratings, however, derive strength from the experience of the proprietor, growing scale of operations and moderate profitability margins.

Going forward, the ability of the firm to successfully execute the projects, receive contract proceeds in a timely manner, improve its solvency position and manage the working capital requirements efficiently will remain the key rating sensitivity.

Background

SCC is a proprietorship firm established in 1990 by Mr Naval Kishore Sharma. SCC is engaged in the civil construction work in Punjab, mainly including road work projects involving construction, up-gradation, resurfacing and widening of roads, bridges and minor engineering works. The firm is registered as a 'class A1' contractor with Bridge & Road Division (B&R), Municipal Corporation and Improvement Trust of Punjab. The orders undertaken by the firm are secured through the competitive bidding process. Besides SCC, the proprietor is also engaged in another group concern, namely, Sharma Vibrotech Pipes (SVP), a partnership firm, engaged in the manufacturing of cement pipes.

In FY15 (refers to the period April 01 to March 31), SCC has achieved a total operating income of Rs.17.18 crore with PAT of Rs.0.98 crore, as against the total operating income of Rs.16.80 crore with

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

PAT of Rs.0.73 crore in FY14. Furthermore, SCC achieved a total operating income of around Rs.45 crore in FY16 (Provisional).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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