

SK. Samir Ali
February 12, 2019

Rating			
Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	8.00	CARE BB-; Stable Issuer Not Cooperating (Double B Minus; Issuer Not Cooperating)	ISSUER NOT COOPERATING; Based on best available information
Total	8.00 (Rupees Eight Crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from SK. Samir Ali to monitor the rating vide letters/e-mails communications dated 09.10.2018, 08.11.2018, 11.01.2019, 04.02.2019 and numerous phone calls. However, despite our repeated requests, the entity has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at fair ratings. The rating on SK. Samir Ali bank facilities will now be denoted as **CARE BB-; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers

The ratings take into account constitution as a proprietorship entity, small size of operations with low profitability margins, risk associated with participating in tenders and intense competition in the industry, working capital intensive nature of business, volatility associated with fluctuation in input prices. The ratings, however, continue to draw comfort from its experienced management and long track record of operations.

Detailed description of the key rating drivers

At the time of last rating in January 31, 2018 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Constitution as a proprietorship entity

Sk. Samir Ali, being a proprietorship entity, is exposed to inherent risk of the proprietor capital being withdrawn at time of personal contingency and entity being dissolved upon the death/insolvency of the proprietor. Furthermore, proprietorship entities have restricted access to external borrowing as credit worthiness of proprietor would be the key factors affecting credit decision for the lenders.

Small size of operation with moderate profitability margin

Sk. Samir Ali is a small player in construction industry with a PAT of Rs.0.31 crore on total operating income of Rs.30.18 crore in FY17. Capital base of the entity was Rs.6.87 crore as on March 31, 2017. The small size restricts the financial flexibility of the entity in terms of stress and deprives it from benefits of economies of scale. Due to its small scale of operations, the absolute profit levels of the entity also remained low. The profitability margins also remained low marked by PBILD and PAT margins of 4.08% and 1.03% respectively. Further, the entity has booked revenue of Rs.17.51 crore during 9MFY18.

Risk associated with participating in tenders and intense competition in the industry

The entity has to bid for the contracts based on tenders opened by the various governments and public sector units. Upon successful technical evaluation of various bidders, the lowest bid is awarded the contract. The entity receives projects which majorly are of a short to medium tenure (i.e. to be completed within maximum period of one to two years). Furthermore, orders are generally tender driven floated by government units indicating a risk of non-receipt of contract in a competitive industry. The outlook of construction sector appears challenging in view of slow execution of the existing order book in view of hindrances related to land acquisition, obtaining requisite clearances, labour shortage and liquidity issues with the clients, etc. Additionally, the sector is plagued with elongated working capital cycle leading to increase in debt level of construction companies.

Working capital intensive nature of business

The operations of the entity remained working capital intensive as the entity executes orders mainly for public sector units and government departments. The average collection period remained on the higher side during FY17 as the payment comes around four months from the date of bill raised. Due to its working capital intensive nature of operations,

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

the entity stretches its payments to suppliers for around one month. Accordingly, the average utilisation of working capital was on the higher side at around 95% during last 12 months ended January 2019.

Volatility associated with fluctuations in input prices

The major input materials for the entity are bolder, bitumen, cement, TMT bar, bricks, sand etc. the prices of which are volatile. Further the orders executed by the entity does not contain price escalation clause on the orders. This apart, any increase in labour prices will also impact its profitability being present in a highly labour intensive industry.

Low order book position of the entity

Sk. Samir Ali has low order book position of Rs.8.61 crore (which is 0.29x of FY17 turnover) as on January 30, 2018, which is expected to be completed by June 2018.

Key Rating Strengths

Experienced management & long track record of operations

Sk. Samir Ali started its business from the year 1988 and thus has long track record of operations. It is a professionally managed Class 'I' entity managed by Mr. Sk. Samir Ali (Proprietor) who has a long experience in similar line of business. He is ably supported by a team of experienced professionals look after the day to day activities of business.

Satisfactory leverage ratios with moderate debt coverage indicators

Capital structure of the entity remained satisfactory marked by overall gearing ratio of 0.90x as on March 31, 2017. The overall gearing ratio improved gradually over the last three account closing dates mainly on account of regular introduction of capital by the proprietor. Moreover, the debt coverage indicators remained moderate marked by interest coverage ratio of 1.48x in FY17.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

About the firm

Sk. Samir Ali was established in the year 1988 with its office located at 1/E, Ibrahim Road, Kolkata-700023. Since its inception, the entity has been engaged in civil construction business in the segment like bridges and buildings. Further, the entity is also classified as class 'I (A)' contractor in civil (B&R) under the department of PWD Government of West Bengal. Class 'I' contractor can bid for all types and higher value of contracts of Public Works Department (PWD) in West Bengal. The entity is also engaged in contractor business with Department of Women and Social welfare, Government of West Bengal Ministry of Health & Family Welfare, Government of West Bengal and Howrah Zila Parishad.

Sk. Samir Ali (Proprietor) has more than a decade of experience in civil construction industry, he looks after the day to day operations of the entity along with other technical and non-technical professionals who are having long experience in this industry.

Liquidity

The liquidity position of the company remained satisfactory marked by current ratio of 1.54x and quick ratio of 1.51x as on March 31, 2018. The cash and bank balance amounting to Rs.0.03 crore remained outstanding as on March 31, 2018. The Gross cash accruals also remained moderate at Rs.0.40 crore as on March 31, 2018.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	18.03	30.18
PBILDT	0.97	1.23
PAT	0.28	0.31
Overall gearing (times)	1.10	0.90
Interest coverage (times)	1.68	1.48

A: Audited

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not applicable

Rating History (Last three years): Please refer Annexure-2

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	8.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	8.00	CARE BB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE BB-; Stable (12-Jul-18)	-	-	-

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