



Rating Rationale

Sattva Engineering Construction Pvt Ltd

18 May 2018

Brickwork Ratings revises the rating for the Bank Loan Facilities of Sattva Engineering Construction Pvt Ltd.

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous Jan 2017	Present
<u>Fund Based</u>					
Cash Credit	17.00	17.00	Long Term	BWR BB (Pronounced BWR Double B) Outlook: Stable	BWR BB+ (Pronounced BWR Double B plus) Outlook: Stable Upgraded
<u>Non-Fund Based</u>					
Bank Guarantee	27.50	27.50	Short Term	BWR A4+ (Pronounced BWR A Four plus)	BWR A4+ (Pronounced BWR A Four plus) Reaffirmation
Total	44.50	Rs.44.50 Crores (Rupees Forty Four Crores and Fifty Lakhs only)			

^Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating (long term upgraded , short term reaffirmed)

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY17 and projected financials up to FY19, publicly available information and information/clarifications provided by the company.



The upgradation in the rating has factored the extensive industry experience of the directors and competent management, long track record of operations with established clientele, consistent growth in revenues and successful execution of government projects. The ratings are, however, constrained by modest scale of operations, high gearing, customer concentration risk in a competitive nature of industry. Going ahead, the company's ability to infuse funds to improve its operations so as to manage the working capital requirements would be the key rating sensitivities.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the '**Sattva Engineering Construction Pvt Ltd**' business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Description of Key Rating Drivers

The company is a Class I contractor for Chennai Metro Water Board and has successfully executed various government contracts of the Tamil Nadu Government for more than a decade.

SECPL has a moderate scale of operations as reflected by its total operating income of Rs.57.78 crore (FY17)

Debt-Equity of the company is high which reflects 2.03 times for FY17 and 1.91 in FY16.

Susceptibility of margins owing to tender driven nature of business and its presence in highly competitive and fragmented industry are the major contributing factors.

About the company

Sattva Engineering & Construction Private Limited (SECPL) was incorporated in the year 1989 by Mr. Sekar and Mr. Seshadri. Both of them have equal shareholding in the company and manage the day to day operations. The company undertakes civil contracts for construction of factories, warehouses, and various projects in the water sector. The company is a class I contractor for Chennai Metro Water Board and has undertaken multiple projects for Chennai Metro Water Board. Until 2013, the company was deriving majority of its revenues from various govt bodies of Tamilnadu. They have started executing orders from Andhra Pradesh, Telangana, and Karnataka states since 2013.

Company Financial Performance

As confirmed by the company, they have achieved operating revenue of Rs.58.91crs.(April '17 to Mar'18).

Key Parameters	Units	2016	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	50.52	57.78
EBITDA	₹ Cr	5.82	6.08
PAT	₹ Cr	1.29	1.32
Tangible Net worth	₹ Cr	12.08	13.40
Total Debt/Tangible Net worth	Times	1.91	2.03
Current Ratio	Times	1.17	1.19

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No	Instrument/ Facility	Current Rating (Year 2018)		Rating History			
		Type (Long Term/Short Term)	Amount (Rs Crs)	2018	Jan 2017	2016	2015
1	Cash Credit	Long Term	17.00	BWR BB+ (Pronounced BWR Double B plus) (Outlook: Stable) Upgraded	BWR BB (Pronounced BWR Double B) (Outlook: Stable) Assigned	NIL	NIL
2	Bank Guarantee	Short Term	27.50	BWR A4+ (Pronounced BWR A four plus) Reaffirmed	BWR A4+ (Pronounced BWR A four plus) Assigned		



	Total		44.50	INR Forty Four Crores and Fifty Lakhs only
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Status of non-cooperation with previous CRA (if applicable) –Not Applicable
 Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled



Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.