

June 23, 2010

CARE ASSIGNS 'CARE BBB' RATING TO THE BANK FACILITIES OF SHARDA CONSTRUCTION & CORPORATION LTD.

Rating assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	57.00#	'CARE BBB' (Triple B)	Assigned
Total Facilities	57.00		

comprises fund based limits of Rs.22 crore and non fund based limits of Rs.35 crore.

Rating Rationale:

The rating derives strength from demonstrated execution capabilities, experienced promoters, strong order book position giving revenue visibility in the medium term and presence of price variation clause in most of the contracts entered into, providing protection to profit margins.

The rating is however, constrained by moderate scale of operations, geographical and client concentration risk, project execution risk associated with various construction contracts, moderate gearing ratio, moderate profitability margins due to intense competition in the construction industry and high working capital intensity associated with the business.

Ability of SCCPL to execute the various projects in a timely fashion and manage the working capital cycle effectively are the key rating sensitivities.

Company Profile

Sharda Construction & Corporation Private Limited (SCCPL) formed as a partnership firm in August 1994, is engaged in the execution of civil construction contracts mainly in segments such as sewage, tunnels, canals, barrages, roads and real estate in the Marathwada region of Maharashtra.

On a total income of Rs.191 crore, SCCPL earned a PAT of Rs.9 crore in FY09. Further, on a total income of Rs.214 crore, it posted a PAT of Rs.12 crore in FY10 (provisional results). The company had an outstanding order book of Rs.651 crore (3.04x times of FY10 operating income) as on April 27, 2010.

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

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