

MARCH 15, 2016

**CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
SMS LIMITED (ERSTW HILE SMS INFRASTRUCTURE LIMITED)**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities – Cash Credit	275	CARE A- (Single A Minus)	Revised from CARE BBB+ (Triple B Plus)
Long/Short-term Bank Facilities –fund-based (SLOC)	20	CARE A- / CARE A2 (Single A Minus / A Two)	Revised from CARE BBB+/ CARE A3+ (Triple B Plus/ A Three Plus)
Long/Short-term Bank Facilities- Non-fund-based	807	CARE A- / CARE A2 (Single A Minus/ A Two)	Revised from CARE BBB+/ CARE A3+ (Triple B Plus/ A Three Plus)
Total Facilities	1,102 (Rupees One Thousand One Hundred and Two crore only)		

Rating Rationale

The revision in the ratings assigned to the bank facilities of SMS Limited (SMSL) factors in the expected improvement in leverage profile and debt coverage indicators of the company on sale of equity stake in one of the Special Purpose Vehicle (SPV). Additionally, the company is in advanced stage of discussion with its lenders to raise funds in two of its SPVs, leveraging the cash flow position in these SPVs, which is expected to enhance the liquidity position of the company. The ratings further derive strength from high operating profitability margins during FY15 (refers to the period April 1 to March 31) along with healthy revenue visibility for the company marked by strong and diversified orderbook position.

The rating strengths are however tempered by elongated working capital cycle and consequent high utilisation of working capital limits.

SMSL's ability to complete the monetisation of assets within envisaged timeframe and utilisation of proceeds to improve the leverage profile, debt coverage indicators and liquidity position are the key rating monitorables. Also, any significant financial support provided to subsidiary/associate companies in the future, efficient working capital management and SMSL's ability to pertinently maintain profitability margins are the key rating sensitivities.

Background

SMSL was established in the year 1963 by late Mr Shaktikumar Sancheti as a proprietary concern for executing general civil contracts. In 1997, SMSL was incorporated as Shaktikumar M Sancheti Limited (name changed to SMS Infrastructure Limited in the year 2006). SMSL is currently being managed by Mr Abhay Sancheti, brother of Mr Shaktikumar Sancheti and sons of Mr Shaktikumar Sancheti- Mr Ajay Sancheti and Mr Anand Sancheti.

Till early 1990s, the company undertook local projects based in Nagpur and within Maharashtra. Subsequent to the awarding of first Build Operate and transfer (BOT) contract from the National Highway Authority of India (NHAI) (Durg Bypass) it forayed into different regions and sectors across India. The company gradually extended its presence in contract mining, construction of railway lines, power and electrical segment, etc. by participating in bids invited for projects by Government/semi-Government departments. The company through one of its subsidiary has also forayed into radio taxi services with the brand "Tab Cab" in the year 2012.

The company undertakes projects via engineering procurement and construction (EPC) route and has diversified into wide range of activities such as mining, irrigation, road and bridges construction, operating and maintenance of roads, waste management, airports, toll management, electrical works and railways. During FY15, mining, electrical and power,

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

irrigation and waste management businesses together contributed around 78% to the revenue of the company on a consolidated basis.

With effect from January 11, 2016, the company has changed its name from 'SMSInfrastructure Limited' to 'SMS Limited'.

As per the consolidated financial statements of SMSL, the company reported adjusted PAT of Rs.1 crore on total operating income of Rs.1,714 crore in FY15 against adjusted PAT of Rs.64.64 crore on total operating income of Rs.1,572 crore in FY14.

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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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