

July 31, 2013

Facility	Amount (Rs. Crores)	Rating
Cash Credit	7.00	SMERA C/Assigned

SMERA has assigned a rating of '**SMERA C**' (**read as SMERA C**) to the long term fund based facility of Hi – Rise Building Materials (HRBM). The rating is primarily constrained by the firm's weak financial risk profile marked by continuous overdrawn in the cash credit account, highly leveraged capital structure, weak coverage indicators, limited operational track record and modest scale of operations. The rating is also constrained by the firm's low profitability (owing to trading operations) and high dependence on the construction industry, which is inherently cyclical in nature. The rating however derives support from the long standing experience of the promoter.

HRBM is a proprietorship concern established in 2007. The firm commenced trading in timber, marble and tiles on March 28, 2008. HRBM has a modest scale of operations with FY2011-12 revenues at Rs.36.56 crores and revenue CAGR of 4.54 per cent over FY2009-12. HRBM mainly caters to individual contractors and real estate developers, thus being highly dependent on the construction sector. This is further evidenced by the 28.26 per cent decline in the firm's revenues during FY 2009-10 on account of a slowdown in the construction sector. However, this risk is partially mitigated by the firm's customer base of over 100 clients.

On September 18, 2012, HRBM's banker proposed to convert the firm's adhoc limit into a working capital term loan (WCTL) of Rs.2.41 crores. However, this could not materialize due to non-compliance and non-cooperation on the part of HRBM and in December 2012, the firm's cash credit account slipped into the substandard category. Continuous overdrawn was observed in the firm's cash credit account during October 01, 2012 to March 29, 2013. However, as on March 30, 2013, HRBM regularized its cash credit account, which was subsequently upgraded to the standard category. HRBM's capital structure is highly

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leveraged with total debt-to-equity ratio at 2.22 times as on March 31, 2012. HRBM has weak coverage indicators as reflected in interest coverage ratio of 1.32 times in FY2011-12.

Mr. Chadalavada Rajesh Rao, HRBM's Proprietor, has around 11 years of experience in the similar line of business. He is assisted by his father Mr. Srinivasa Rao, who has more than three decades of experience in timber trading through the group entity, Asian Timber Estates.

About the Firm

HRBM was established in 2007 as a proprietorship concern by Mr. Chadalavada Rajesh Rao. The commercial operations started on March 28, 2008. HRBM is engaged in trading of building material such as timber, marble and tiles. HRBM sells Makarana marble and Verona vitrified tiles of varied grades and colours to construction companies as well as individual contractors. HRBM has its administrative office and warehouse at Hyderabad, Andhra Pradesh.

In FY2011-12, HRBM reported net profit of Rs.0.30 crores on total income of Rs.36.56 crores as compared with net profit of Rs.0.15 crores on total income of Rs.21.67 crores in FY2010-11.

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