

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 overdrawing 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 overdrawing 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

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

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.

Contact List

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal, Vice President – Sales Tel : +91-22-67141177 Cell : +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in	Mr. Umesh Nihalani, Head – Corporate Ratings Tel: +91-22-67141106 Cell: +91 98336 51336 Email: umesh.nihalani@smera.in	Tel: +91 22 6714 1170 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.