

March 12, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	5.00	SMERA BB-/Stable (Assigned)
Term Loan – I	0.02	SMERA BB-/Stable (Assigned)
Term Loan – II	0.13	SMERA BB-/Stable (Assigned)
Term Loan – III	0.12	SMERA BB-/Stable (Assigned)
Term Loan – IV	0.22	SMERA BB-/Stable (Assigned)
Bank Guarantee	15.00	SMERA A4 (Assigned)
Bank Guarantee	4.40	SMERA A4 (Assigned)
Proposed Bank Guarantee	2.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.26.89 crore bank facilities of Sree Subha Sales (SSS). The outlook is '**Stable**'. The ratings are supported by the firm's experienced management, established relations with customers and healthy financial risk profile. The ratings also draw comfort from the in-built price escalation clause in the contracts undertaken by the firm. However, the ratings are constrained by the firm's working capital-intensive operations. The ratings are also constrained by the firm's high dependence on tender based orders. The ratings note that the firm operates in an intensely competitive segment of the infrastructure industry.

SSS, established in 1990, is a Bangalore-based proprietorship firm engaged in undertaking infrastructure development projects related to water supply and underground drainage schemes. SSS caters to Karnataka Urban Water Supply and Drainage Board (KUWSDB), Bangalore Water Supply and Sewage Board (BWSSB) and other bodies of the Karnataka state government. The firm benefits from its experienced management. Mr. K. A. Nanda, proprietor of SSS, has around two decades of experience in the civil construction industry. SSS's healthy financial risk profile is reflected in comfortable gearing (debt-to-capital ratio) of 1.09 times as on March 31, 2014. The firm has strong coverage indicators with interest coverage ratio (ICR) of 3.89 times and debt service coverage ratio of 4.03 times in FY2013-14 (refers to financial year, April 01 to March 31). SSS's contracts have an in-built price escalation clause, which shields the profit margins against volatility in raw material prices.

SSS's operations are working capital-intensive. The firm's average bank limit utilisation is moderate at ~80 per cent for the six months ended January 31, 2014. SSS operates in an intensely competitive segment of the civil construction industry.

Outlook: Stable

SMERA believes SSS will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and established relations with government departments. The outlook may be revised to 'Positive' in case the firm generates healthy cash flows through successful execution of larger projects while achieving efficient working capital management. Conversely, the outlook will be revised to 'Negative' in case of stretch in the firm's liquidity position, or in case of delays in project execution.

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.

About the firm

SSS, established in 1990, is a Bangalore-based proprietorship concern promoted by Mr. K. A. Nanda. SSS undertakes infrastructure development projects related to water supply and underground drainage schemes. The firm caters to Karnataka State Government.

For FY2013-14, SSS reported profit after tax (PAT) of Rs.2.25 crore on operating income of Rs.40.75 crore, as compared with PAT of Rs.2.42 crore on operating income of Rs.35.34 crore in FY2012-13. SSS booked revenue of Rs.45.05 crore (provisional) during April 2014 to January 2015. The firm's net worth stood at Rs.5.93 crore as on March 31, 2014, as compared with Rs.5.71 crore a year earlier.

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