

March 31, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Term Loan	0.49	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Bank Guarantee	19.40	SMERA A4+ (Upgraded from SMERA A4)
Non Fund Based Limit (Proposed)	2.00	SMERA A4+ (Upgraded from SMERA A4)

SMERA has upgraded the long term rating of the above mentioned bank facilities of Sree Subha Sales (SSS) to **SMERA BB (read as SMERA double B)** from SMERA BB- (read as SMERA double B minus) and short term rating to **SMERA A4+ (read as SMERA A four plus)** from SMERA A4 (read as SMERA A four). The outlook is '**Stable**'. The upgrade is in view of the firm's healthy revenue growth and above average financial profile marked by comfortable gearing and healthy coverage ratio. The ratings also continue to derive comfort from the firm's established operational track record as Class I contractor and the in-built price escalation clause in the contract. However, the ratings are constrained by the working capital intensive operations, high dependence on tender-based orders and proprietorship constitution of the firm.

Update

The firm has reported operating income of Rs.76.54 crore in FY2015 over Rs.40.89 crore in FY2014. SMERA believes that the firm would sustain healthy revenue momentum on account of its established operational track record as a Class-I contractor and execution of government orders. The operating margins remained comfortable at 7.93 per cent in FY2015. The firm's total debt to tangible net worth improved to 0.65 times as on March 2015 over 1.09 times as on March 2014. The interest coverage ratio has been healthy at 4.86 times in FY2015.

Outlook: Stable

SMERA believes the outlook of SSS will remain 'Stable' over the medium term owing to its experienced management and established relations with customers. The outlook may be revised to 'Positive' if the firm generates healthy cash flows through successful execution of larger projects while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in the liquidity position or delays in project execution.

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Rating Sensitivity Factors

- Timely execution of the project
- Efficient working capital management
- Future capex plans and its funding

About the Firm

SSS was established in 1990 as a proprietorship concern by Mr. K.A. Nanda. The firm is a Class-I contractor for government organisations such as Karnataka Urban Water Supply and Drainage Board (KUWSDB), Bangalore Water Supply and Sewage Board (BWSSB) among others. The firm undertakes project work related to underground drainage and water supply.

For FY2014-15, SSS reported net profit of Rs.4.27 crore on revenue of Rs.76.54 crore, as compared with net profit of Rs.0.74 crore on revenue of Rs.40.89 crore for FY2013-2014.

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