

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.

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.

**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.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Suman M National Sales Head – Emerging Corporate Group Tel: +91-22-6714 1151 Cell: +91- 98923 06888 Email: suman.m@smera.in Web: www.smera.in	Mohit Jain Vice President – Rating Operations Tel: +91-22-6714 1105 Email: mohit.jain@smera.in	Tel: +91-22-6714 1184 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.