

May 19, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.50	SMERA B+/Stable (Assigned)
Bank Guarantee	2.50	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of **'SMERA B+' (read as SMERA B plus)** and a short-term rating of **'SMERA A4' (read as SMERA A four)** to the Rs.5.00 crore bank facilities of M. Surya Narayana Reddy. The outlook is **'Stable'**. The ratings are constrained by the firm's moderate-scale operations. The ratings note that the firm is highly dependent on tender-based contracts. However, the ratings are supported by the firm's experienced management and comfortable financial risk profile. The ratings also draw comfort from the firm's status as a 'Class I' contractor.

MSR, established in 2013, is a Bangalore-based proprietorship firm engaged in providing civil engineering services to Southern Railways. MSR has moderate-scale operations marked by operating income of Rs.18.83 crore in FY2013-14 (refers to financial year, April 01 to March 31). The firm is highly dependent on tender-based contracts procured through an intensely competitive bidding process.

MSR benefits from its experienced management. Mr. M. Surya Narayana Reddy, proprietor of MSR, has two decades of experience in the infrastructure industry. MSR's comfortable financial risk profile is marked by gearing (debt-to-capital ratio) of 0.93 times as on March 31, 2014 and interest coverage ratio of 3.88 times in FY2013-14. The firm's registration as a 'Class I' contractor enables it to bid for large contracts.

Outlook: Stable

SMERA believes MSR will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm generates healthy cash flows (through successful execution of large projects) while achieving efficient working capital management. 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.

About the firm

MSR, established in 2013, is a Bangalore-based proprietorship firm promoted by Mr. M. Surya Narayana Reddy. MSR provides civil engineering services to Southern Railways.

For FY2013-14, MSR reported profit after tax (PAT) of Rs.0.90 crore on operating income of Rs.18.83 crore, as compared with PAT of Rs.2.16 crore on operating income of Rs.32.55 crore in FY2012-13. The firm's net worth stood at Rs.4.41 crore as on March 31, 2014, as compared with Rs.4.91 crore a year earlier.

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.

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