

April 04, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	2.50	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Bank Guarantee	2.50	SMERA A4+ (Upgraded from SMERA A4)

SMERA has upgraded the long term rating of the abovementioned bank facilities of M. Surya Narayana Reddy (MSR) to '**SMERA BB-**' (read as SMERA double B minus) and '**SMERA A4+**' (read as SMERA A four plus) from 'SMERA B+' (read as SMERA B plus) and 'SMERA A4' (read as SMERA A4) respectively. The outlook is '**Stable**'. The upgrade is in view of the improvement in revenue profile and healthy profitability. The rating continues to draw support from the firm's experienced management and comfortable financial risk profile marked by healthy coverage indicators. However, the ratings are constrained by the moderate scale of operations in an intensely competitive civil construction industry.

Update:

The revenue of MSR improved to Rs.19.43 crore in FY2014-15 (refers to financial year, April 01 to March 31) compared with Rs.18.83 crore in the previous year. The operating margins were healthy at 9.65 percent in FY2015. The firm's gearing (debt-to-capital) was 0.98 times and interest coverage remained comfortable at 4.44 times in FY2015.

Outlook-Stable

SMERA believes that the outlook of MSR will remain 'Stable' over the medium term owing to its experienced management and Class A1 contractor status. 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 further stretch in the liquidity position or delay in project execution.

Rating Sensitivity Factor

- Efficient working capital management

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About the Firm

MSR, established in 2013, is a Bangalore-based proprietorship firm promoted by Mr. M. Surya Narayana Reddy. The firm is engaged in civil construction services for Southern Railways.

For FY2014–15, MSR reported profit after tax (PAT) of Rs.0.92 crore on operating income of Rs. 19.43 crore, as compared with PAT of Rs.0.90 crore on operating income of Rs.18.83 crore in FY2013–14. The net worth stood at Rs.4.70 crore as on March 31, 2015, as compared with Rs.4.41 crore a year earlier.

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