

## G Nageswaran (GN)

### G Nageswaran: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Secured Overdraft	9.40	SMERA B-/Stable (Reaffirmed)
Bank Guarantee	0.50	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the long term rating of '**SMERA B-**' (read as SMERA B minus) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs.9.90 crore bank facilities of G Nageswaran (GN). The outlook is '**Stable**'.

The ratings continue to draw comfort from the firm's established operational track record, experienced management and moderate financial risk profile. However, the ratings remain constrained by the modest scale of operations, stressed working capital and high dependence on tender-based government orders. The ratings also factor in the intensely competitive civil construction industry and risks associated with the proprietorship constitution of the firm.

#### Update

GN is engaged in the civil construction business since 1985 and benefits from its experienced management. The promoter, Mr. G. Nageswaran is a Class I PWD contractor who possesses around three decades of experience in the industry. The financial risk profile of the firm remains moderate marked by gearing of 1.95 times and interest coverage ratio (ICR) of 1.96 times in FY2014-15.

The scale of operation remains modest marked by operating income of Rs.30.17 crore in FY2014-15, a decline from Rs.35.23 crore in FY2013-14. Further, the firm has booked revenue of Rs.25.59 crore for FY2015-16 (provisional). The working capital limits have been fully utilised for the past six months. The average bank limit utilisation has been 102 per cent for six months ended June 2016.

The ratings also factor in the intense competition in the civil construction business and high dependence of the firm on tender based orders. Further, the ratings also note the proprietorship constitution of the firm which has an inherent risk of capital withdrawal.

#### Rating Sensitivity Factors

- Increasing scale of operations while maintaining healthy profitability
- Efficient working capital management

#### Outlook-Stable

SMERA believes GN will maintain a stable outlook in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' if the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

### About the Firm

GN, established in 1985 is a Chennai-based proprietorship firm engaged in the civil construction business. The firm caters mainly to Tamil Nadu Public Works Department (TN PWD) and National Highway Authority of India (NHAI).

For FY2014–15 (refers to financial year, April 01 to March 31), GN reported profit after tax (PAT) of Rs.1.01 crore on operating income of Rs.30.17 crore as compared with PAT of Rs.0.83 crore on operating income of Rs.35.23 crore in FY2013-14.

### Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Ratings		Rating/Outlook
			Long Term	Short Term	
29 June, 2015	Secured Over Draft	9.40	SMERA B-	-	Stable
	Bank Guarantee	0.50	-	SMERA A4	-

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### ABOUT SMERA

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