

April 25, 2016

Facilities	Amount (Rs. Crore)	Ratings
Overdraft	4.75	SMERA BB-/Stable (Assigned)
Bank Guarantee/Letter of Guarantee	10.00	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB-**' (**read as SMERA double B minus**) and short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.14.75 crore bank facilities of V.R. Constructions (VRC). The outlook is '**Stable**'.

The ratings draw support from an experienced management, moderate financial risk profile supported by low gearing of 0.83 times and comfortable liquidity profile (60 per cent bank limit utilised for the period August 2015 to February 2016). However, the ratings are constrained by the small scale of operations, tender-based business of the firm and intense competition in the fragmented construction industry.

### Outlook: Stable

SMERA believes VRC will maintain a stable business risk profile in the medium term owing to the established operations and extensive experience of the promoters. The outlook may be revised to 'Positive' in case of significant improvement in operations and profitability. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates.

### Rating Sensitivity Factor

- Scaling up operations while maintaining profitability and capital structure

### About the Firm

VRC, a civil construction firm established in 1999 by Mr. G. Raja Sekhara Rao, Mr. M. Ravi Kumar, Mr. G. Lakshmi Rajyam and others undertakes construction of roads, canals, drainage activities for the government.

For FY2014-15, the firm reported profit after tax (PAT) of Rs.0.20 crore on operating income of Rs.29.78 crore, as compared with PAT of Rs.0.14 crore on operating income of Rs.29.38 crore in FY2013-14. The net worth stood at Rs.7.25 crore as on March 31, 2015 against Rs.7.08 crore a year earlier. The total debt of Rs.7.77 crore includes unsecured loans of Rs.1.73 crore that are subordinated to bank debt as on March 31, 2015.

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