

May 17, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.00	SMERA B-/Stable (Assigned)
Bank Guarantee	4.00	SMERA A4 (Assigned)

SMERA has assigned 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.5.00 crore bank facilities of Maa India Projects (MIP). The outlook is **'Stable'**. The ratings are constrained by the below-average risk profile and high dependence on tender-based contracts. The ratings also factor in the susceptibility of profit margins to volatility in raw material prices and delays in infrastructure projects undertaken. However, the ratings draw comfort from the promoter's extensive industry experience.

Established in 2005, MIP is engaged in the civil construction business that entails maintenance of roads for the Public Works Department of Karnataka. The firm is highly dependent on tender-based contracts awarded by Karnataka State Public Works department. The business risk profile of the firm is below-average with low operating margins of around 2.5 percent for FY2015-16. MIP expects revenue of around Rs.6.75 for FY2016. The profit margins of the firm are susceptible to volatility in prices of raw materials viz. stone, cement, sand among others. Also, the operations are exposed to delays inherent in infrastructure projects.

However, MIP benefits from the extensive experience of its promoters. Mr. A. Gopikrishna and Mr. S. Hariprasad possess experience of over a decade in the civil construction industry.

Rating Sensitivity Factors

- Substantial and sustainable growth in revenues or operating margins
- Efficient working capital management
- Price trends of key raw material

Outlook - Stable

SMERA believes that MIP will continue to benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' if the firm reports substantial and sustainable revenues or operating margins resulting in improvement in its existing risk profile. Conversely, the outlook may be revised to 'Negative' in case the working capital cycle elongates further resulting in weakening of its financial risk profile especially liquidity.

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About the Firm

MIP, established in 2005 as a proprietorship firm by Mr. S. Hariprasad, was converted into a partnership firm in 2013. The firm is engaged in the civil construction business and carries out its operations from Bellary, Karnataka.

For FY2015-16, (refers to financial year, April 1 to March 31), MIP reported net profit of Rs.0.14 crore (provisional) on operating income of Rs.6.75 crore as against net profit of Rs.0.03 crore on operating income of Rs.0.98 crore a year earlier.

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