SMERA RATINGS LIMITED

Dilip Singh Raghuvanshi: Assigned

Name of the Instrument	Amount (Rs. Crore)	Ratings/Outlook
Overdraft	5.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	15.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of **'SMERA BB-' (read as SMERA double B minus)** and **'SMERA A4+' (read as SMERA A four plus)** to the Rs.20.00 crore bank facilities of Dilip Singh Raghuvanshi (DSR). The outlook is **'Stable'**.

The ratings draw comfort from the firm's experienced management, moderate financial risk profile and comfortable liquidity position. However, the ratings are constrained by the geographic concentration risk and uneven revenue trend due to 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.

DSR, is a Madhya Pradesh-based civil construction firm established in 1999 by Mr. Dilip Singh Raghuvanshi. The firm benefits from its experienced management. The proprietor possesses over two decades of experience in the civil construction industry. The firm's financial risk profile is moderate marked by comfortable gearing position of 0.84 times and healthy return on capital employed of 15.47% for FY2014-15(refers to financial year, April 01 to March 31). Further, the firm has comfortable liquidity position with average utilisation of ~42 per cent for the last six months ended on March 31, 2016.

The ratings also factor in the intense competition in the civil construction business and geographical concentration risk as the firm only operates in Madhya Pradesh. The rating also notes the tender based business of the firm. DSR reported revenue of Rs. 52.69 crore for FY 2014-15 as against Rs.16.42 crore in the previous year. The reason for significant increase in revenue in FY 2015 is due to execution of the projects which were awarded in FY2013.

Further, the rating also notes the proprietorship concern constitution of the firm which has an inherent risk of withdrawal of capital.

Rating Sensitivity Factors

- Scaling operations amidst intense competition while maintaining adequate profitability
- Effective working capital management

Outlook-Stable

SMERA believes the outlook on DSR's rated facilities will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenue while improving profitability and maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's capital structure and liquidity position.

About the Firm

DSR, established in 1999, is a Madhya Pradesh-based proprietorship concern engaged in civil construction work. The firm undertakes construction of roads mainly in the state of Madhya Pradesh.

For FY2014–15, DSR registered net profit of Rs.2.54 crore on operating income of Rs.52.69 crore, as compared with net profit of Rs.0.77 crore on operating of Rs.16.42 crore in FY2013–14.

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India.