

Geninfra Constructions: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Secured Overdraft (Proposed)	9.00	SMERA BB/Stable (Assigned)
Term Loan (Proposed)	5.00	SMERA BB/Stable (Assigned)
Bank Guarantee (Proposed)	6.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs. 20.00 crore proposed bank facilities of Geninfra Constructions (Geninfra). The outlook is '**Stable**'

The ratings are supported by the experienced management, moderate financial risk profile and healthy order book position. However, the ratings are constrained by the small scale of operations, high dependence on tender-based government orders and the intensely competitive civil construction industry. The ratings also factor in the working capital intensive operations and the partnership constitution of the firm.

Geninfra, a Hyderabad-based firm is engaged in civil construction and undertakes mainly road construction and irrigation projects.

The firm benefits from its experienced management. The promoter, Mr. A. Naveen Reddy has over three decades of experience in the civil construction industry. The financial risk profile is comfortable marked by gearing of 0.24 times, interest coverage ratio and debt service coverage ratio of 2.85 times. The firm has modest networth base of Rs.6.65 crore for FY2014-15 (refers to financial year, April 01 to March 31) and the same has improved to Rs.9.19 crore in FY2015-16 (provisional). Further, the firm has comfortable order book position of Rs.542.50 crore which provides healthy revenue visibility for the medium term.

However, the rating is constrained by the small scale of operations with operating income of Rs.14.08 crore for FY2014-15. The same improved to Rs.28.38 crore for FY2015-16 (provisional). The operations of the firm are highly dependent on tenders, which makes it vulnerable to order cyclical. The rating notes the working capital intensive business evident from the gross current asset days (GCA) of 268 for FY2014-15. However, the same improved to 172 days for FY2015-16 (provisional). Further, the rating also factors in the partnership constitution of the firm which exposes it to the risk of capital withdrawal.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Efficient working capital management
- Debt funded capex plans
- Timely execution of projects

Outlook-Stable

SMERA believes the outlook on Geninfra's rated facilities will remain stable over the medium term on account of its promoter's extensive experience in the civil construction industry. The outlook may be revised to 'Positive' if the firm registers higher than expected growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Firm

Geninfra, a partnership firm was promoted by Mr. A. Naveen Kumar Reddy and others in 2010 to undertake civil construction (mainly road construction) and irrigation projects. The firm is a Special Class Contractor in Telangana and Andhra Pradesh.

In FY2014-15, the firm reported net profit of Rs.0.32 crore on operating income of Rs.14.18 crore, as compared to net profit of Rs.0.34 crore on operating income of Rs.9.47 crore in the previous year. Geninfra Constructions reported net profit of Rs.1.34 crore on operating income of Rs.28.38 crore for FY2015-16 (provisional).

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ABOUT SMERA

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