

Neha Infrastructures: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	3.00	SMERA B/Stable (Assigned)
Bank Guarantee	2.00	SMERA A4 (Assigned)
Term Loan (Vehicle Loan)	0.90	SMERA B/Stable (Assigned)

SMERA has assigned long term rating of **'SMERA B' (read as SMERA B)** and short term rating of **'SMERA A4 (read as SMERA A four)** to the abovementioned bank facilities of Neha Infrastructures (NI). The outlook is **'Stable'**.

The ratings are constrained by the stretched liquidity and declining scale of operations. The ratings also take into account the working capital intensive business and exposure to intense competition in the EPC (Engineering, Procurement, Construction) industry.

However, the ratings draw support from the experienced management and moderate order book position. The ratings also factor in the moderate financial risk profile and profitability margins.

NI, established in July 2007, is a Bangalore-based firm that undertakes road construction projects for the government and private organisations. The firm benefits from its experienced management. Mr. Sunder Raju, Proprietor possesses around a decades experience in the firm's line of business.

The moderate financial risk profile of the firm is marked by modest operating income of Rs.22.77 crore with PAT of Rs.1.07 crore in FY2014-15 as compared to the operating income of Rs.27.92 crore with PAT of Rs.1.01 crore a year earlier. The operating margin stood at 13.40 per cent in FY2014-15 as compared to 11.01 per cent in FY2013-14. The firm has registered PAT margin of 4.69 per cent in FY2014-15 as compared to 3.63 per cent a year earlier. The firm also reported moderate gearing of 1.20 times and current ratio of 1.23 per cent with order book of ~Rs. 81.15 crore to be executed by FY2016-17. However, NI faces intense market competition in the unorganised segment of the EPC industry and is also constrained by its stretched liquidity position.

Outlook- Stable

SMERA believes NI will maintain a stable outlook in the medium term owing to its established operations and extensive experience of the promoters. The outlook may be revised to 'Positive' if the firm registers significant improvement in operations and profitability and successfully completes its orders on time. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in revenue, profitability and capital structure.

Rating Sensitivity Factors

- Scaling up operations while maintaining margins
- Management of working capital funds
- Timely execution of orders

About the Firm

NI, established in 2007, is a Bangalore-based proprietorship firm promoted by Mr. Sunder Raju. The firm undertakes road construction projects for the Karnataka government as also for private organisations.

For FY2014-15, the firm reported profit after tax (PAT) of Rs.1.07 crore on operating income of Rs.22.77 crore as compared to the PAT of Rs.1.01 crore on operating income of Rs.27.92 crore a year earlier. The net worth of the firm stood at Rs.3.80 crore as on March 31, 2015.

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ABOUT SMERA

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