

Press Release

Neha Infrastructures

18 May, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 5.90 Cr.
Long Term Rating	SMERA B/ Stable (Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer annexure for details*

SMERA has reaffirmed the long term rating of '**SMERA B**' (**read as SMERA B**) and the short term rating of '**SMERA A4**' (**read as A four**) on the Rs. 5.90 crore bank facilities of Neha Infrastructures. The outlook is '**Stable**'.

Bangalore-based, Neha Infrastructures (NI) was established in 2007 by Mr. Sundar Raju. The firm undertakes civil construction projects such as construction of roads for Bangalore government like PWD as well as private undertakings. Mr. Sundar Raju Possess the experience of more than a decade in firm's line of business.

Key rating drivers

Strengths

Experience promoters and second line of management

NI was established in 2007 as a proprietorship firm by Mr. Sunder Raju. Hence has its presence in construction business for over decades.

Moderate order book

The firm has moderate business prospects for near future, evident from outstanding order book worth Rs. 49.81 crore which needs to be execute over the medium term.

Moderate financial risk profile

The financial risk profile of the group is moderate marked by networth of Rs. 6.43 crore as on 31 March, 2017 as compared to Rs. 6.17 crore as on 31 March, 2016. Gearing (debt-equity) stood at 1.28 times as on 31 March, 2017 as compared to 1.17 times as on 31 March, 2016. The total debt of Rs. 8.23 crore as on 31 March, 2017 comprises working capital borrowing of Rs. 3.94 crore and term loan from directors of Rs. 3.95 crore. The interest coverage ratio (ICR) stood at 2.34 times in FY2017 as against 2.39 times in FY2016. The total outside liabilities to tangible networth (TOL/TNW) stood at 1.45 times in FY2017 and 1.30 times in FY2016.

Going forward, SMERA expects the company to maintain its financial risk profile and improve its networth backed by steady accruals and absence of any major debt funded capex plan.

Weaknesses

Small scale of operation

The operation of Neha Infrastructure's is considered to be small scale as the total income in FY 2017 is Rs. 19.48 crore as compared to Rs. 19.42 crore in FY2016 mainly on the account of repeated orders are received from its regular customers such as Bangalore government and other private players.

Presence in a highly fragmented nature of industry

The company is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk

become more pronounced as tendering is based on minimum amount of bidding of contracts.

Tender based nature of business

The firm deals with government organization which provides orders on tender basis. Going forward the firm's ability to bid for large orders and qualifying for the same remains to be seen. However, the promoter's experience and relationship partially offset this weakness

Analytical approach:

SMERA has considered the standalone business and financial risk profile of Neha Infrastructure to arrive at the rating.

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 company 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.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	19.48	19.42	22.77
EBITDA	Rs. Cr.	2.00	2.01	2.14
PAT	Rs. Cr.	0.89	0.53	1.07
EBITDA Margin	(%)	10.25	10.34	9.42
PAT Margin	(%)	4.56	2.74	4.69
ROCE	(%)	14.02	14.57	52.31
Total Debt/Tangible Net Worth	Times	1.28	1.17	1.20
PBDIT/Interest	Times	2.34	2.39	4.19
Total Debt/PBDIT	Times	4.12	3.59	1.78
Gross Current Assets (Days)	Days	136	131	89

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable): None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-Aug-2016	Cash Credit	Long Term	3.00	SMERA B/Stable (Assigned)

	Bank Guarantee	Short Term	2.00	SMERA A4 (Assigned)
	Term Loan	Long Term	0.9	SMERA B/Stable (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4 (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.90	SMERA B/Stable (Reaffirmed)

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ABOUT SMERA

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