

**R.K. Associates: Assigned**

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	10.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	10.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA BB-'** (read as **SMERA double B minus**) and '**SMERA A4**' (read as **SMERA A four**) to the above mentioned bank facilities of R.K. Associates (RKA). The outlook is '**Stable**'. The ratings derive comfort from the healthy financial risk profile and order book and reputed clientele. The ratings also draw support from the experienced management and long track record of operations. However, the ratings are constrained by the small scale of operations and working capital intensive business. The ratings also factor in the tender based business and proprietorship constitution of the firm.

RKA, incorporated in 1976, is a Bangalore-based company engaged in the installation of electrical sub-stations and other electrical works. The firm has a healthy financial risk profile marked by gearing of 1.14 times as on 31 March, 2016 (provisional). The coverage indicators have improved from 3.15 times in FY2015 to 6.17 times in FY2016 (provisional). The firm has Rs.37.51 crore of orders as on 31st March, 2016. RKA caters to BESCOM (Bangalore Electricity Supply Company), KPWD (Karnataka Public Work Department), Karnataka State Warehousing Corporation and Karnataka Power Corporation Limited.

The firm benefits from its experienced management and long operational track record. The proprietor, Mr. H.N Ramakrishna has more than three decades of experience in the industry. The operations are working capital intensive as reflected in the gross asset days of 175. The six months average utilisation of cash credit stands at 65 per cent ended July 2016. Besides, the company is highly dependent on tenders floated by government entities. RKA, being a proprietorship firm, is susceptible to capital withdrawal.

**Rating Sensitivity Factors**

- Growth in revenue while sustaining profitability
- Efficient working capital management

**Outlook-Stable**

SMERA believes that RKA will maintain a stable outlook over the medium term and continue to benefit from its established operations and long-standing relations with clients. The outlook may be revised to 'Positive' if the company registers higher-than-expected cash accruals on the back of sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or significant deterioration in the capital structure and liquidity position.

## About the Firm

R K Associates, incorporated in 1987 is a Super Grade LEC (Licenced Electrical Contractor) under the state electricity board and also a Class-1 contractor under KPDW (Karnataka Public Work Department). The firm is engaged in the construction of sub-station and related electrical work in Karnataka.

For FY2015-16 (provisional), RKA reported PAT (profit after tax) of Rs.1.29 crore on operating income of Rs.32.67 crore as against PAT of Rs.1.13 crore on operating income of Rs.29.32 crore in the previous year.

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## ABOUT SMERA

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