

Warsaw Engineers: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	2.00	SMERA B+/Stable (Assigned)
Line of Credit	0.30	SMERA B+/Stable (Assigned)
Bank Guarantee	4.00	SMERA A4 (Assigned)

SMERA has assigned long term rating of **'SMERA B+' (read as SMERA B plus)** and short term rating of **'SMERA A4' (read as SMERA A four)** to the above mentioned bank facilities of Warsaw Engineers. The outlook is **'Stable'**. The ratings draw comfort from the long operational track record, experienced management and a healthy financial risk profile. The ratings also note the moderate profit margin and clientele consisting of government entities. However, the ratings are constrained by the small scale of operations and tender based business.

Warsaw Engineers was established as a proprietorship concern in 1983, by Mr. K. Nagaraja Madhyastha (proprietor) who possesses experience of around four decades in the civil construction business. The firm undertakes civil construction work for the government. The firm's healthy financial risk profile is marked by interest coverage ratio of 3.65 times in FY2015 and 2.70 times in FY2016 (provisional). The gearing stood at 0.53 times as on 31st March, 2015 and 0.47 times as on 31st March, 2016 (provisional). The net worth of the firm was at Rs.4.32 crore as on March 31, 2015. Further, as informed by the banker, the average utilisation of working capital limits has been around 88.50 per cent in the last six months. The operating profit margins of the firm are uneven and the same have declined to 8.29 per cent in FY2016 from 12.68 per cent in FY2015. The uneven trend in operating margin is due to the competitive tender based business.

Warsaw Engineers operates at a small scale with operating income of Rs.12.83 crore in FY2014-15. As per provisional figures, the firm registered revenue of Rs.13.34 crore in FY2015-16. The firm largely caters to government entities and bids for tenders for contracts.

Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Efficient working capital management

Outlook-Stable

SMERA believes that Warsaw Engineers will maintain a stable outlook over the medium term owing to its experienced management and association with reputed clientele. The outlook may be revised to 'Positive' if the firm improves its financial risk profile and scale of operations. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile and lower than expected profit margins.

About the Firm

Warsaw Engineers was established in 1983, by Mr. K. Nagaraja Madhyastha in Bangalore. The firm is engaged in the civil construction business and caters to government entities including Bangalore Metropolitan Transport Corporation, Karnataka State Road Transport Corporation and National Thermal Power Corporation among others.

For FY2014-15, the firm reported profit after tax (PAT) of Rs.0.54 crore on operating income of Rs.12.83 crore as compared to PAT of Rs.0.34 crore on operating income of Rs.9.04 crore for FY2013-14. For FY2015-16, as per provisional figures, the firm reported PAT of Rs.0.56 crore on operating income of Rs.13.34 crore.

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ABOUT SMERA

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