

### G. Koteswara Rao: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	6.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	3.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB-**' (**read as SMERA double B minus**) and '**SMERA A4+**' (**read as SMERA A four plus**) on the above mentioned bank facilities of G. Koteswara Rao (GKR). The outlook is '**Stable**'.

The ratings draw comfort from the established track record of operations and experienced management. The ratings also factor in the moderate financial risk profile, healthy operating margins and order book position.

However, the ratings are constrained by the small scale of operations and tender based business. The ratings also factor in the, sector concentration risk, high dependence on government orders and the highly competitive and cyclical infrastructure sector. The ratings also note the proprietorship constitution of the firm.

GKR, a Bangalore-based proprietorship firm established in 1995 is engaged in the construction of Road under Bridges (RUB) for Indian Railways. The firm was promoted by Mr. Koteswara Rao who possesses more than two decades of experience in the same line of business. GKR has moderate financial risk profile marked by tangible net worth of Rs.3.69 crore and gearing (debt-to-equity ratio) of 1.42 times as on March 31, 2016. The interest coverage ratio stood at 3.21 times in FY2015-16. The firm has reported healthy EBITDA margin of 9.65 per cent for FY2016 as against 7.70 percent for FY2015. GKR has healthy order book position with unexecuted orders in hand of approximately Rs.40.00 crore as on November 01 2016 providing revenue visibility for the medium term.

GKR operates on a modest scale with operating income of Rs.15.61 crore for FY2016 as against Rs.18.91 crore for FY2015. The firm registered revenue of Rs.14.00 crore in HY2016-17. GKR caters only to Indian Railways, thus exposing itself to high customer concentration risk and increasing dependence on government tenders. The rating also factors in the proprietorship constitution of the firm allowing the management to withdraw capital at will.

#### Rating Sensitivity Factors

- Scaling up operations while maintaining healthy profitability
- Movement in gearing and coverage indicators
- Efficient working capital management

#### Outlook: Stable

SMERA believes that GKR will maintain a 'Stable' outlook over the medium term owing to its experienced management, healthy order book position and moderate financial risk profile. The outlook may be revised to 'Positive' in case the firm registers more than expected growth in revenues while achieving improvement in profitability with successful sourcing and execution of projects. Conversely, the outlook may be revised to 'Negative' in case of delays in project execution leading to low profitability.

### About the Firm

G Koteswara Rao is a proprietorship firm established in 1995. The firm is engaged in the construction of Roads under Bridges (RUB) for Indian Railways. The proprietor, Mr. G Koteswara Rao possesses over two decades of experience in the abovementioned line of business.

GKR has reported net profit of Rs.1.01 crore on operating income of Rs.15.61 crore as compared to net profit of Rs.1.11 crore on operating income of Rs.18.91 crore.

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