

Press Release

B.S.R. Constructions (BSR)

10 February, 2017

Rating Assigned

Total Bank Facilities Rated *	Rs 10.00. Crore
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

**Refer Annexure for details*

Rating Rationale

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**) on the above mentioned bank facilities of B.S.R. Constructions (BSR). The outlook is '**Stable**'.

BSR, established in 1996 as a proprietorship concern by Mr. Sanjeeva Reddy, executes infrastructure projects for government bodies in Andhra Pradesh.

List of key rating drivers and their detailed description

Strengths:

Experienced management: BSR was established in 1996 as a proprietorship concern by Mr. Bomma Sanjeeva Reddy and subsequently converted into a partnership firm. The firm executes construction projects mainly for government bodies. The management possesses experience of over two decades in the said line of business.

Special class contractor for Telangana PWD and other government departments: The firm is a special class contractor for Telangana Public Works Department (PWD) and other government departments. BSR is entitled to bid for orders of any size.

Weaknesses:

Moderate financial risk profile: The moderate financial risk profile is marked by high gearing and moderate interest coverage. The gearing levels of the firm stood at 2.74 times and interest coverage at 3.71 times in FY2016. The net worth of the firm stood low at Rs.1.13 crore in FY2016.

Moderate scale of operations: BSR's moderate scale of operations is marked by revenue of Rs.23.31 crore in FY2016 as against Rs.5.62 crore in FY2015. Considering the track record of over two decades, the revenues are at a moderate level.

Susceptibility of margins to volatility in raw material prices: The margins of the firm are susceptible to volatility in the prices of raw materials - steel, sand, cement, bricks. Any significant changes in commodity prices or over supply would have an impact on the margins of the firm.

Highly competitive and fragmented industry: BSR operates in an intensely competitive construction industry.

Analytical approach- SMERA has considered the standalone business and financial risk profiles of the firm.

Applicable Criteria

- Infrastructure Entities: <https://www.smera.in/criteria-infra.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook – Stable

SMERA believes that BSR will maintain a stable outlook in the medium term backed by its promoters' extensive experience and established relations with government bodies. The outlook may be revised to 'Positive' if the firm registers more than expected revenues while improving profitability and net cash accruals. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve the expected revenues, profitability or if the capital structure further deteriorates.

About the Rated Entity

The Telangana-based BSR was established in 1996 as a proprietorship concern by Mr. Sanjeeva Reddy to execute infrastructure projects for government bodies. In 2013, the firm changed its constitution to a partnership concern with Mr. Sanjeeva Reddy and Mrs. B Rajashree as partners. The management possesses experience of more than two decades in the business and has executed infrastructure projects for PWD and other government departments in Andhra Pradesh.

For FY2016, BSR reported profit after tax (PAT) of Rs.1.32 crore on total operating income of Rs.23.31 crore, as compared with PAT of Rs.0.29 crore on total operating income of Rs.5.62 crore in FY2015.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	5.00	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	5.00	SMERA A4(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	NA	NA	NA	5.00	SMERA B/Stable (Assigned)
Bank Guarantee	NA	NA	NA	5.00	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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