

Press Release

Lanarsy Infra Limited

February 17, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 15.00 crore bank facilities of Lanarsy Infra Limited. The outlook is '**Stable**'.

The Hyderabad-based Lanarsy Infra Limited was promoted by Mr. Venugopal Rao Maddisetty, Ms. B. Padmaja, Mr. Vasu Babu Maddisetty and Ms. Padma Maddisetty. The company, incorporated in 2011, lays transmission lines and sets up substations. The operations commenced in 2013.

Key Rating Drivers

Strengths

- **Experienced management**

The key promoter, Mr.M. Venugopal (founder and CEO) has experience of over three decades in the power distribution industry. The day-to-day operations are led by Mr. Venugopal Rao, Ms. B. Padmaja, Mr. Vasu Babu Maddisetty and Ms. Padma Maddisetty.

- **Healthy financial risk profile**

The healthy financial risk profile is marked by comfortable gearing ratio of 0.26 times in FY2016. The interest coverage stands at 4.70 times in FY2016. The operating margins stood at 9.34 per cent in FY2016 as compared to 6.82 per cent in FY2015. The networth of the company has been moderate at Rs.11.43 crore in FY2016 as compared to Rs.8.95 crore in FY2015. The profitability margin stood at 4.51 percent in FY2016 as against 5.07 percent in FY2015. SMERA also notes that the company has stretched working capital cycle marked by high GCA days of 297 in FY2016 and 337 in FY2015.

Weaknesses

- **Tender-based business**

The operations of the company are tender based. However, the promoter's long standing relations with clients, partially mitigates this risk.

- **Intense competition**

The company operates in a highly fragmented industry with low entry barriers and intense market competition affecting the bargaining power.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook owing to the extensive experience of its management and established relationships with customers. The outlook may be revised to Positive

in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to Negative in case of significant decline in revenues and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

For FY2016, the company reported profit after tax (PAT) of Rs.4.77 cr on operating income of Rs.105.67 cr, as compared with PAT of Rs.3.70 cr on operating income of Rs.72.94 cr in FY2015. The net worth stood at Rs.11.43 cr as on March 31, 2016 against Rs.8.95 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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 BB+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4+

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