# 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+ |

### Contacts


| Analytical | Rating Desk |
|---|---|
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**ABOUT SMERA**

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.