

## Press Release

24 April, 2017

### R Krishnamurthy & Co

#### Rating Assigned

<b>Total Bank Facilities Rated *</b>	Rs.90.00 Cr
<b>Long Term Rating</b>	SMERA BB/ Outlook: Stable
<b>Short Term Rating</b>	SMERA A4+

# Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 90.00 crore bank facilities of R Krishnamurthy & Co. The outlook is '**Stable**'.

R Krishnamurthy & Co (RKC) a proprietorship concern established in 1991 was converted into a partnership firm in 2008. The firm is engaged in the civil construction business and caters to the governments of Tamil Nadu and Pondicherry. The partners, Mr. Krishnamurthy R and Mr. Jamunarani K possess extensive experience in the industry. The day-to-day operations are led by Mr. Krishnamurthy R.

#### Key Rating Drivers

##### Strengths

- **Experienced management and long track record of operations**

RKC was converted to a partnership firm in 2008. The firm undertakes civil construction work for government agencies - Corporation of Chennai, District Rural Development Agency among others.

- **Moderate scale of operations**

The firm has moderate scale of operations with operating income of Rs. 121.54 cr in FY2016 and Rs. 131.21 cr in FY2015. The firm achieved revenue of ~Rs.62.10 cr from April - December 2016.

- **Healthy profitability and moderate order book**

The EBITDA margin improved to 6.53 percent in FY2016 from 4.44 percent in FY2015. The healthy PAT margins stood at 3.39 percent in FY2016, improvement from 0.41 percent in FY2015 due to non-operating income of Rs.1.06 cr (Interest Income). The RoCE was healthy and stood at 39.30 percent in FY2016 as compared to 37.19 percent in FY2015. The firm has ~Rs. 288.78 cr worth orders in hand as on January 2017.

- **Healthy financial risk profile**

The healthy financial risk profile is marked by comfortable net worth of Rs.14.17 cr as on March 31, 2016, an increase from Rs.3.55 cr in FY2015 due to retention of profit in the business and capital infusion by partners. The comfortable gearing stood at 0.46 times as on March 31, 2016, an improvement from 4.44 times as on March 31, 2015. The interest coverage ratio (ICR) and DSCR stood

healthy at 5.04 times and 3.94 times respectively in FY2016. The NCA/TD stood at 0.80 times in FY2016.

## Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive with gross current assets days of 153 in FY2016 compared to 198 in FY2015. The current ratio stood comfortable at 0.84 times in FY2016. The average cash credit utilisation for six months ended February 2017 stood at 86.62 percent.

- **Highly competitive and fragmented industry and tender based business**

The nature of business is tender based. Changes in government policies are expected to impact the work flow of the firm.

- **Partnership constitution**

RKC is a partnership firm and is exposed to risk of withdrawal of capital. However, SMERA has not observed the same during the period under study.

## Analytical Approach

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

### Outlook: Stable

SMERA believes that RKC will maintain a stable outlook in the medium term owing to the extensive experience of its promoters and the firm's operational track record. The outlook may be revised to 'Positive' if the firm reports substantial growth in revenues while maintaining healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case the firm reports lower than expected growth in revenues and profit margins or deterioration in financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

### About the Rated Entity - Key Financials

In FY2015-16, RKC reported profit after tax (PAT) of Rs. 4.12 cr on operating income of Rs. 121.54 cr as against PAT of Rs. 0.53 cr on operating income of Rs. 131.21 cr in the previous year. The net worth stood at Rs. 14.17 cr as on March 31, 2016 against Rs. 3.55 cr a year earlier.

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Complexity Level Of Financial Instruments - <https://www.smera.in/criteria-complexity-levels.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4+
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA BB / Stable
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	55.00	SMERA A4+

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**ABOUT SMERA**

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