

Press Release

09 June, 2017

Sree Venkateswara Road Constructions Private Limited (SVRCPL)

Rating Assigned

Total Bank Facilities Rated*	Rs.17.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.17.00 crore bank facilities of Sree Venkateswara Road Constructions Private Limited (SVRCPL).The outlook is '**Stable**'.

SVRCPL was established as a proprietorship concern in 1990 at Tamil Nadu and converted to a private limited company in 2008. The company is engaged in the construction of roads, compound walls, drainages among others.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The company is led by Mr. Vedachalam Venkatesan, Mr. Selvaraj Gowri, Mr. Sampath Krishnan who possess around a decades experience in civil construction.

Healthy financial risk profile: The financial risk profile is marked by healthy debt protection metrics, gearing levels and moderate net worth base. The interest coverage and debt service coverage ratios stood at 6.38 times and 4.14 times in FY2016 respectively. The gearing levels of the company are comfortable at 0.52 times in FY2016 from 0.26 times in FY2015. This is mainly due to accretion to reserves thereby increasing the net worth and also because of decrease in short term borrowings. The net worth base of the company stood at moderate levels of around Rs.7.65 crore as on 31 March, 2016.

Weaknesses:

Working capital intensive operations: The working capital intensive operations is marked by high gross current assets (GCA) days of 144 and 84 in FY2016 and FY2015 respectively. The debtors and inventory stood at 16 days and 13 days respectively while creditors stood at 64 days in FY2016.

Segmental concentration: The company derives its revenue mainly from road construction work. Some of its clients are Chennai Corporation, Military Engineering Services among others.

Analytical approach: SMERA has taken a standalone view of the business and financial risk profiles of the company.

Applicable Criteria

- Infrastructure Entities: <https://www.smera.in/criteria-infrastructure.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 SVRCPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company scales up operations while maintaining profitability and improving the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues or if the working capital cycle further deteriorates.

About the Rated Entity

For FY2016, SVRCPL reported profit after tax (PAT) of Rs.1.13 crore on total operating income of Rs.35.54 crore, as compared with PAT of Rs.1.84 crore on total operating income of Rs.58.86 crore in FY2015. The tangible net worth stood at Rs.7.65 crore in FY2016 as compared to Rs.6.52 crore in FY2015. For FY2017 (Provisional) the company registered revenue of Rs 41 crore.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: None

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long Term	1.90	SMERA BB- / Stable (Assigned)	-	-	-	-	-	-
Proposed Cash credit	Long Term	5.10	SMERA BB- / Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	Short Term	5.30	SMERA A4+ (Assigned)	-	-	-	-	-	-
Proposed Bank Guarantee	Short Term	4.70	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	N.A	N.A	N.A	1.90	SMERA BB- / Stable (Assigned)
Proposed Cash Credit	N.A	N.A	N.A	5.10	SMERA BB- / Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	5.30	SMERA A4+ (Assigned)
Proposed Bank Guarantee	N.A	N.A	N.A	4.70	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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