

## Press Release

27 May, 2017

### P Dasaratharama Reddy

#### Rating Assigned

<b>Total Bank Facilities Rated *</b>	Rs.20.00 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. 20.00 crore bank facilities of P Dasaratharama Reddy. The outlook is '**Stable**'.

P. Dasaratharama Reddy (PDR), established in 1998, is a Bengaluru (Karnataka) based partnership firm promoted by Mr. Krishna Reddy, Mrs. Bhavani and Mr. Dinesh Reddy. PDR is a Class I civil contractor. The firm undertakes execution of civil construction projects such as canals, roads and bridges mostly for government departments like Cauvery Neeravari Nigama Limited.

#### Key Rating Drivers

##### **Strengths**

- Experienced management and long track record of operations**

P. Dasaratharama Reddy (PDR) was established in 1998. The firm is engaged in civil construction work for the Karnataka government. The promoters possess over two decades of experience in the construction sector.

- Comfortable financial risk profile**

PDR has a comfortable financial risk profile marked by moderate net worth of Rs.10.41 crore as on 31 March, 2016 as against Rs.9.24 crore as on 31 March, 2015. The gearing (Debt to equity ratio) stood comfortable at 0.39 times as on 31 March, 2016 (PY: 0.40 times). The Interest coverage ratio (ICR) stood comfortable at 7.42 times for FY2015-16. The firm generated net cash accruals of Rs.4.69 crore in FY2016 as against Rs.2.19 crore in FY2015. The debt protection metrics are comfortable with NCA to TD (Net cash accruals to Total Debt) of 1.15 times in FY2016.

- Comfortable working capital cycle**

PDR's gross current assets (GCA) days stood moderate at around 81 days in FY2015-16. This was due to comfortable debtor days of 26 and inventory holding of 12 days in FY2016. The average utilisation of cash credit has been moderate at ~80 per cent in the last six months ended March 2017.

## Weaknesses

- **Moderate order book position**

The revenue has been moderate at Rs.67.08 cr in FY2016 as against Rs. 28.29 cr in FY2015. Further, as informed by the management, the firm achieved revenue of Rs.75.01 crore in FY2017. PDR has moderate order book position marked by unexecuted orders in hand of Rs.55.44 crore as on April 2017 that provides revenue visibility for the medium term.

- **Susceptibility of operating cash flows to timely flow of orders**

The nature of business of the firm is tender based. Significant slowdown in receipt of orders, deferment of projects by the counterparty or delay in realisation of receivables from major customers may have a bearing on operating cash flows and the credit profile of the firm. Further, existence of large number of players in the industry exposes the firm to intense competition.

- **Customer and geographic concentration risk**

PDR largely caters to government bodies in Karnataka, namely Cauvery Neeravari Nigama Limited, which exposes the firm to high customer and geographic concentration risk. However, the firm plans to diversify by bidding for orders from other states/divisions as well.

## Analytical Approach

SMERA has considered the standalone financial and business risk profiles of PDR to arrive at the rating.

### Outlook: Stable

SMERA believes that PDR will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in operating margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or if the firm registers deterioration in its financial risk profile and liquidity position.

### About the Rated Entity - Key Financials

For FY2015-16, the firm reported net profit of Rs.4.09 crore on total operating income of Rs.67.08 crore as compared with net profit of Rs.1.86 crore on total operating income of Rs.28.29 crore in FY2014-15. The net worth stood at Rs.10.49 crore as on 31 March, 2016 as compared to Rs.9.24 crore as on 31 March, 2015.

### 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>

### 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
Overdraft	Not Applicable	Not Applicable	1-Jan-1953	4.00	SMERA BB/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.57	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.21	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.22	SMERA BB / Stable

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**ABOUT SMERA**

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