

## Press Release

### Sri Mahabaleshwara Enterprises

August 10, 2017



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 8.00 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 minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 8.00 crore bank facilities of Sri Mahabaleshwara Enterprises. The outlook is '**Stable**'.

Sri Mahabaleshwara Enterprises (SME), a proprietorship firm was established in 1998 by Mr. Mahabaleshwara Bhat. The firm provides manpower recruitment services to government authorities and private companies. Based out of Bangalore, the firm has around 2000 people. Sri Mahabaleshwara Human Resources Services Private Limited, incorporated in 2017 plans to take over the existing business of SME. The process is expected to be completed in three months.

### Key Rating Drivers

#### Strengths

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

Sri Mahabaleshwara Enterprises (SME) was established in 1998 as a proprietorship firm by Mr. Mahabaleshwara Bhat who possesses experience of almost two decades in manpower services.

- **Reputed clientele**

SME has developed long term relations with its customers over the years. The firm has been catering to the Karnataka government, Bharat Electronics Limited, Toyoda group, Yuken group, Shahi Exports to name a few.

- **Moderate revenue growth**

Revenue rose to Rs.39.39 crore in FY2017 (Provisional) from Rs. 29.89 crore in FY2016 mainly due to increase in the number of contracts and revision in payments terms of existing contracts. Revenue grew at a CAGR of 30 percent from FY2014 to FY2017 (Provisional).

#### Weaknesses

- **Below average financial riskprofile**

The financial risk profile of SME is below average marked by low net worth of Rs. 2.38 crore as on 31 March, 2017 (Provisional) compared to Rs. 2.29 crore as on 31 March, 2016. The gearing improved to 2.78 times as on 31 March, 2017 (Provisional) from 3.79 times as on 31 March, 2016 on account of repayment of term loans. The ICR improved to 2.64 times in FY2017 (Provisional) from 1.37 times in FY2016. SMERA expects the financial risk profile to improve marginally on account of repayment of term loans.

- **Competitive and fragmented industry**

SME operates in a highly competitive and fragmented industry characterised by organised and

unorganised players.

#### **Analytical Approach**

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

#### **Outlook: Stable**

SMERA believes that SME 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, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

#### **About the Rated Entity - Key Financials**

The firm reported profit after tax (PAT) of Rs.1.80 crore on net sales of Rs. 39.39 crore in FY2017 (Provisional) as against PAT of Rs. 0.34 crore on net sales of Rs. 29.89 crore in FY2016. The net worth stood at Rs. 2.38 crore as on 31 March, 2017 (Provisional) compared to Rs. 2.29 crore in the previous year.

#### **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>
- Entities In Services Sector - <https://www.smera.in/criteria-services.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	Not Applicable	3.50	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+
Proposed Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA BB- / Stable
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+

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## ABOUT SMERA

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