

Press Release

D K Bharat Simha Reddy

August 12, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 29.50 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) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 29.50 crore bank facilities of D K Bharat Simha Reddy. The outlook is '**Stable**'.

D K Bharat Simha Reddy (DKBSR) was established in 2001 by Mr. D K Bharat Simha Reddy. The firm undertakes road construction projects for the Telengana government. The registered office is located at Mehboobnagar, Telangana.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

The proprietor, Mr. D K Bharat Simha Reddy has experience of more than 15 years in the construction and infrastructure industry.

- Comfortable financial riskprofile**

The comfortable financial risk profile is marked by healthy net worth of Rs. 22.98 crore in FY2017 (Provisional). The gearing increased to 0.35 times as on 31 March 2017 from 0.27 times as on 31 March 2016 on account of increase in long term debt. The improvement in net worth from Rs.20.96 crore in FY2016 to Rs.22.98 crore in FY2017 (Provisional), is mainly due to infusion of money in business in the form of capital and retention of current year profit. However, the interest coverage ratio is comfortable at 5.89 times and debt service coverage ratio at 2.63 times in FY2017 (Provisional). The NCA/TD stood at 0.36 times in FY2017 (Provisional) with healthy net cash accruals at Rs.4.74 crore. The CPLTD stood at Rs.1.20 crore during the period.

- Healthy order bookposition**

The firm has a healthy order book of Rs.46.75 crore as on 31 March, 2017 with around 80 per cent expected to be executed in the current fiscal.

Weaknesses

- Moderate scale of operations**

While operations commenced from 2001, the scale has been moderate at Rs.24.12 crore in FY2017 (Provisional) and Rs.22.77 crore in FY2016.

- Working capital intensiveoperations**

The operations are working capital intensive marked by GCA days of 87 in FY2017 (Provisional), a decline from 119 days in FY2016. This is mainly on account of decline in debtor days of 104 in FY2017 (Provisional) as against 112 days in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of DKBSR.

Outlook: Stable

SMERA believes that DKBSR will maintain a stable outlook in the medium term on account of its experienced management and moderate scale of operations. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability, or deterioration in its financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), DKBSR reported profit after tax (PAT) of Rs 1.32 crore on total operating income of Rs.24.12 crore compared with PAT of Rs.1.37 crore on total operating income of Rs.22.77 crore in FY2014-15. The tangible net worth stood healthy at Rs.22.98 crore in FY2017 (Provisional).

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	Not Applicable	1.50	SMERA BB / Stable
Proposed Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	0.70	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA A4+
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.80	SMERA A4+

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