

November 25, 2013

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.75	SMERA BB- / Stable (Assigned)
Bank Guarantee	7.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA BB-**' (read as **SMERA Double B Minus**) and '**SMERA A4**' (read as **SMERA A Four**) to the Rs.8.75 crore bank facilities of Srinivasa Enterprises (SE). The outlook is '**Stable**'. The ratings are constrained by the firm's small scale of operations and high dependence on government-sponsored civil infrastructure development projects. The ratings are further constrained by the firm's negative operating cash flows and susceptibility to raw material price volatility. However, the ratings derive comfort from the firm's experienced management, comfortable leverage and 'Class I' civil contractor registration with the Karnataka Public Works Department.

SE, established in 2003, is a Hyderabad-based firm engaged in undertaking construction contracts for various government-owned entities in Karnataka and Andhra Pradesh. SE undertakes contracts for construction of schools, hospitals and other civil infrastructure systems. SE has a small scale of operations with revenues of Rs.24.40 crore in FY2012-13 (refers to financial year, April 01 to March 31). Further, the firm has a modest order book of Rs.22.53 crore as on November 01, 2013. SE's profit margins are susceptible to volatility in raw material (cement and steel) prices in the absence of a price escalation clause in the contract agreements. The firm registered negative operating cash flows due to increase in working capital requirements in FY2011-12 and FY2012-13. However, SE has a comfortable leverage at 0.61 times as on March 31, 2013.

SE is likely to benefit from its 'Class I' civil contractor registration (which enables the firm to bid for large orders) with the Karnataka Public Works Department. Mr. B. Jeevan Kishore and Mr. N. Rambabu, Partners of SE, have ten years of experience in the firm's line of business.

Outlook: Stable

SMERA believes the outlook on SE's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' if the firm is successful in expanding its scale of operations while maintaining a comfortable liquidity position and satisfactory capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's capital structure and liquidity position.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

**About the firm**

SE, established in 2003, is a Hyderabad-based partnership firm promoted by Mr. B Jeevan Kishore and Mr. N Rambabu. SE is engaged in undertaking civil construction contracts in Karnataka and Andhra Pradesh (mainly in the Telangana region).

For FY2012-13, SE reported net profit of Rs.0.80 crore on total income of Rs.24.40 crore as compared with net profit of Rs.0.88 crore on total income of Rs.25.93 crore in FY2011-12. The firm registered revenues of Rs.8.79 crores over April 2013 to September 2013.

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