



SMERA RATINGS LIMITED

Srinivasa Enterprises (SE)**Rating
Rationale****February 10, 2015**

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

SMERA has reaffirmed ratings of '**SMERA BB-**' (read as **SMERA double B minus**) and '**SMERA A4**' (read as **SMERA A four**) on 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 operations and high dependence on government contracts. The ratings note that the firm's profit margins are susceptible to volatility in raw material prices. The ratings are also constrained by the firm's stretched liquidity position. However, the ratings draw comfort from the firm's experienced management and comfortable leverage. The ratings also factor in benefits of the firm's registration (as 'Class I' contractor) with the Karnataka Public Works Department.

Update

SE reported net profit of Rs.0.42 crore on total income of Rs.18.26 crore in FY2013-14 (refers to financial year, April 01 to March 31), as compared with net profit of Rs.0.80 crore on total income of Rs.24.86 crore in the previous year. The decline in the firm's revenue was on account of delays in execution and certification of projects post formation of Telangana. SE's net profit margin declined from 3.20 per cent in FY2012-13 to 2.32 per cent in FY2013-14 on account of higher subcontracting charges. The firm registered revenue of Rs.6.36 crore during April 2014 to November 2014. SE has pending orders of Rs.31.00 crore as on January 01, 2015. In November 2014, Mr. N. Rambabu retired from the firm and Mr. B. Kranti Kishore was inducted as a new partner. Mr. B. Jeevan Kishore is entitled to 99 per cent of the profits, while Mr. B. Kranti Kishore is entitled to 1 per cent of the profits.

SE's gearing (debt-to-capital ratio) is comfortable at 0.48 times as on March 31, 2014. The firm's liquidity position is stretched on account of delays in receipt of payments from customers. SE's average utilisation of cash credit limit is high at ~94.71 per cent during April 2014 to November 2014.

Outlook: Stable

SMERA believes SE will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the firm registers strong growth in revenues and profitability while achieving a comfortable liquidity position and maintaining healthy capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's profitability, capital structure or liquidity position.

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.



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Srinivasa Enterprises (SE)

*Rating
Rationale*

About the firm

SE, established in 2001, is a Hyderabad-based partnership firm promoted by Mr. B. Jeevan Kishore and Mr. N. Rambabu. In November 2014, Mr. N. Rambabu retired from the firm and Mr. B. Kranti Kishore was inducted as a new partner.

SE undertakes civil construction work in Karnataka, Telangana and Andhra Pradesh.

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