

Press Release**Srinivas Infrastructure Pvt. Ltd****July 09, 2019****Ratings**

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term – Cash Credit	7.00	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
2	Short Term – Bank Guarantee	10.00	IVR A3 (IVR A Three)
	Total	17.00	

Details of facilities are in Annexure 1**Rating Rationale**

The rating derives strength from company's experienced promoters, improved capital structure, the continuing growth in operations accompanied by the healthy order book and the improving profitability. The rating however is constrained by the working capital intensive nature of operations, geographic concentration risk, and the stiff competition from other industry players. Efficient management of working capital, maintaining its profitability and timely execution of orders are the key rating sensitivities.

Detailed Description of Key Rating Drivers**Key Rating Strengths*****Experienced promoter***

The company's Managing Director and Chief Executive is Mr. YV Naga Mohan. He is an automobile engineer and has an experience of over two decade in the infrastructure sector in Telangana and Andhra Pradesh. He is assisted by a group of experienced professionals in managing the day to day operation of the company.

Growth in operations over the last three years

The scale of operation of the company has increased from Rs.60.61 crore in FY16 to Rs.65.10 crore in FY18 due to additional sub-contracting activities undertaken by the company in these years. The total operating income of the company further increased to Rs.72.24 in FY19 (provisional).

Improvement in capital structure over the last three years

The capital structure, overall gearing ratio and other debt coverage indicators of the company are very comfortable on the last three account closing days due to minimal borrowings.

Improving profitability margins

EBITDA margin has improved from 10.62% in FY16 to 14.81% in FY19 due to economies of scale. Growth in business has helped the company in reporting improvement in PAT margin from 3.64% in FY16 to 7.94% in FY19.

Revenue visibility with strong order book position

The company had an outstanding order book of Rs.179.6 crore as on June 15, 2019 to be executed over a period of 12-36 months. The order book consists of road construction/widening, improvement of road etc.

Key Weaknesses

Moderate scale of operations

Srinivas Infrastructure Private Limited is a small-sized player in the infrastructure industry. Though the company has reported substantial growth in operations over the last three years, the scale continues to remain moderate.

Working capital intensive nature of operation

Operations of the company are working capital intensive in nature. The debtor's days are high in excess of 100 days, and it increased in FY19, given all its customers are government departments resulting in delayed payments.

Geographic Concentration Risk

The company's portfolio is entirely concentrated in the states of Andhra Pradesh and Telengana. This exposes the company to risks arising from changes in political structure and policies.

Exposure in competitive segment

The sector is marked by intense competition with a large number of players and has low entry barriers. The company is engaged in the business of infrastructure work for government as well as private organizations. Furthermore, the high competitive intensity in this segment might result in aggressive bidding for the projects, thereby impacting profitability margins of the company.

Liquidity

The company has been earning a comfortable level GCA for the last two years and the same is expected to increase further with increase in scale of operation. The company has no major long term debt repayments in the near term. The projected DSCR and Interest coverage ratio indicate comfortable liquidity position of the company.

About the company

Srinivas Infrastructure Private Limited(SIPL) is a private limited company incorporated in 1995. It commenced its operations in the year 2002-03. The company is involved in the construction and development of infrastructure projects. SIPL carries out major projects of heavy and civil engineering construction like culverts, bridges, infrastructure for irrigation canals etc. In addition, the company also supplies metals and ballast to the railways.

Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-19 (P)	31-Mar-18 (A)
Total Operating Income	72.24	65.10
EBITDA	10.70	7.34
PAT	5.75	3.15
Total Debt	13.01	10.84
Tangible Net worth	24.08	18.34
EBIDTA Margin (%)	14.81	11.27
PAT Margin (%)	7.94	4.83
Overall Gearing ratio (x)	0.54	0.59

* Classification as per Infomerics' standards

Any other information: N.A

Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities	Long Term - Cash Credit (CC)	7.00	IVR BBB-/Stable Outlook	--	--	--
Non - Fund Based Facilities	Short Term - Bank Guarantee	10.00	IVR A3	--	--	--
	Total	17.00				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Sr. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Long Term Fund Based (CC)	--	--	--	7.00	IVR BBB-/Stable Outlook
2	Short Term Fund Based (BG)	--	--	--	10.00	IVR A3
Total					17.00	