Rating Rationale

Sri Mahalakshmi Construction Ventures

15 Oct 2018

Brickwork Ratings assigns the ratings "BWR B (Outlook : Stable)" for the Bank Loan Facilities of ₹ 6.00 Crores of Sri Mahalakshmi Construction Ventures.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	6.00	Long Term	BWR B (Pronounced as BWR Single B) Outlook : Stable
Total	6.00	INR Six Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of FY15, FY16 and FY17, publicly available information and information/clarification provided by the client.

The ratings assigned to M/s Sri Mahalakshmi Construction Ventures draws strength from the experience of the promoter in the business, comfortable debt coverage metrics and comfortable gearing. The rating is, however, constrained on account of small scale of operations, lack of work orders and constitution of the firm which allows its partners to withdraw capital from the business.

Going forward, the ability of the business to increase its scale of operations, improve profitability margins and efficiently manage its inventory would be the key rating factors for the rating of the business.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced Management :** Not only has the firm been running for over decades, the Managing Partner Mr. V K R S V Prasada Rao, has a vast and varied experience in the field of construction and civil contracts which includes taking up ONGC contracts by bidding various tenders, which is advantageous for the firm.

Credit Risks:

- **Lack of work orders :** The firm has not taken up any work order for the last 6 years and even currently has no work orders in hand, therefore there remains an uncertainty in the ability of the firm to earn moderate revenues in the near future.
- **Low scale of operations :** Considering the vintage of the firm, they have a low scale of operation with total revenue of the firm at Rs. 0.33 Crores in FY17 and a modest net worth of Rs. 1.84 Crores.
- **Capital withdrawal :** Since the firm's constitution is that of a partnership firm, it exposes the firm to the risk of partners withdrawing capital as seen previously due to which the net worth of the firm has been declining.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Sri Mahalakshmi Construction Ventures** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium

term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

"Sri Mahalakshmi Construction Ventures" is a partnership firm established in 1995. The main objective of the firm is to construct residential and commercial properties and undertaking other various civil contracts. Since the firm was busy completing its prior commitments, it hasn't taken up any projects in the last 6 years. The main source of revenue for the firm is rental income from the partial retention of property (Subhadra Arcade) , sale of gravel and recovering past projects' receipts. The firm has currently applied for an Overdraft facility on tangible securities from Punjab National Bank to resume business operations.

Company Financial Performance

The Business unit generated a revenue of Rs. 0.70 Crs and a profit of Rs. 0.32 Crs in FY16 where as in FY17 it generated a revenue of Rs. 0.89 Crs and a profit of Rs. 0.33 Crs. Tangible net worth of the unit increased to Rs. 1.84 Crs in FY17 from Rs. 3.20 Crs in FY16.

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	0.89	0.70
EBITDA	₹ Cr	0.59	0.51
PAT	₹ Cr	0.33	0.32
Tangible Net worth	₹ Cr	1.84	3.20
Total Debt/Tangible Net worth	Times	0.06	0.03
Current Ratio	Times	10.05	114.22

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating (2017)	2016	2015	2014
	Fund Based	Long Term	6.00	**BWR B (Pronounced as BWR Single B) Outlook : Stable**	**Nil**	**Nil**	**Nil**
	Total			**₹ Six Crores Only**			

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Short Term Debt**

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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