



RATING RATIONALE

21 Nov 2019

Sri Mukha Road Products & Civil labs Pvt. Ltd

Brickwork Ratings upgrades/reaffirms the ratings for the Bank Loan Facilities of ₹. 9.75 Crores of Sri Mukha Road Products & Civil Labs Pvt.Ltd

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (November,2019)	Present
Fund based	8.75	8.75	Long Term	BWR B (Stable)	BWR BB- (Stable) (Upgraded)
Non Fund Based	1.00	1.00	Short Term	BWR A4	BWR A4 (Reaffirmed)
Total	9.75	9.75	₹ Nine Crores and Seventy Five Lakhs Only		

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

** Details of Bank Loan facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

The ratings upgrade takes into account the improved revenues, profits and scale of operation. The rating draws strength from the vast business experience of the Managing director and above average financial risk profile. However, the rating is constrained by the scale of operations and high competition from other established players in the market.

Going forward, the ability of the entity to achieve projected revenue, profitability margins and manage liquidity would be key rating sensitivities



KEY RATING DRIVERS

Credit Strengths:

- **Locational Advantage :** The company is located in Guntur cluster and thus has a competitive advantage in terms of skilled labor, logistics, production knowledge and vendors making the company more efficient and cost effective.
- **Management Experience :** The Managing Director of the company has 30 years of experience in the relevant field.
- **Technological Advantage :** Programmable Controller (PLC) is implemented in the Manufacturing plant which will help in remote control of the flow of operations.

Credit Risks:

- **Networth :** Low net worth of the company resulting in high gearing.
- **Company Existence :** Company is in nascent stage. Hence, it's resulting in less revenue.
- **Account Receivables :** The company's Account Receivable days of 91 is a concern

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone financials of Sri Mukha Road Products & CivilLabs Pvt.Ltd. and has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the entity to achieve Growth in revenues, profits, profitability margins ,effectively manage liquidity position and improve scale of operations would be key rating sensitivities.

Positive: Rating may be upgraded in case of substantial improvement in the scale of operations, revenue, profits, gearing ratios and profitability margin.

Negative: Rating may be downgraded in case the revenues of the company and profits substantially plunge the current level. Rating may also be downgraded if the company is not able to manage the liquidity risk.

LIQUIDITY POSITION

Current ratio was moderate at 1.02 times as on March 31, 2019. Cash accruals were moderately low at Rs. 0.55 Crs resulting in the net cash accruals/total debt ratio to 0.05 times in FY19 Cash and cash equivalents were reported at Rs. 0.54 Crs in FY18 and Rs. 0.02 Crs in FY19.

COMPANY PROFILE

Incorporated business entity in 2016 and started production in 2017 at Perecherla, Guntur, Andhra Pradesh. Sri Mukha Road Products & Civil Labs Pvt. Ltd is engaged in manufacturing of Bitumen emulsion, Crumb Rubber Modified Bitumen, Polymer Modified Bitumen. The manufacturing plant is located at Perecherla, Guntur, Andhra Pradesh. Mr. T. Bhaskar Rao, the Managing Director, has to his credit 30 years' experience in this business.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 18	FY 19
Result Type		Audited	Audited
Operating Revenue	Rs.Crs	0.55	8.48
EBITDA	Rs.Crs	0.06	1.40
PAT	Rs.Crs	-0.02	0.02
Tangible Net Worth	Rs.Crs	1.90	1.92
Total Debt/Tangible Net Worth	Times	4.55	5.72
Current Ratio	Times	2.30	1.02

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

The terms of sanction include standard covenants normally stipulated for bank loan facilities

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : N/A RATING HISTORY

Facilities	Current Rating (2019)			Rating History		
	Tenure	Amount (₹ Cr)	Rating	12.11.2019	2018	2017
Fund Based	Long Term	8.75	BWR BB- (Stable)	BWR B (Stable)	NA	NA

Non Fund Based	Short Term	1.00	BWR A4	BWR A4		
Total		9.75	₹ Nine Crores and Seventy Five Lakhs Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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[Sri Mukha Road Products & Civil labs Pvt. Ltd]

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Syndicate Bank	Term Loan	6.25	0.00	6.25
		Secured Overdraft against Hypothecation	2.50	0.00	2.50
		Bank Guarantee	0.00	1.00	1.00

TOTAL	9.25
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Total Rupees Nine Crores and Seventy Five Lakhs only.

For print and digital media

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