

Rating Rationale

Sri Satya Sai Constructions

2 Jul 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 18.62 Crores of Sri Satya Sai Constructions.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (June, 2018)	Present
Fund based			Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Reaffirmed
OCC	4.00	4.00			
Proposed OCC	0.00	2.50			
LAD	2.78	2.78			
OD	1.84	1.84			
Non Fund Based Bank Guarantee	7.50	7.50	Short Term	BWR A4 (Pronounced as BWR Single A Four)	BWR A4 (Pronounced as BWR Single A Four) Reaffirmed
Total	16.12	18.62	INR Eighteen Crores and Sixty Two Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Note: OCC- Open Cash credit, LAD- Loan Against Deposit & OD- Overdraft

Rating: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has primarily relied upon the audited financials up-to FY17, projected financials of FY 19 & 20 and publicly available information and the information/clarifications provided by the management.

The rating draws strength from the experience of the partners, established relationship with Government departments, increased revenue & profitability margins. However, the ratings are constrained by high gearing ratio, tender based nature of business, inherent risk of the constitution of the firm, working capital intensive nature of operations and highly competitive nature of industry.



Description of Key Rating Drivers

- **Credit Strengths:** Experience of two partners are more than two decades, revenue increased from Rs. 20.67 Cr in FY16 to Rs. 39.82 Cr in FY17 and Operating & Net profit margins improved from 5.86% & 3.65% in FY16 to 6.86% & 4.01% in FY17
- **Credit Risks:** Gearing ratio is at 1.69 times in FY17, inherent risk of the constitution of the firm being partnership and competition from organised and unorganised players in the industry.

Going forward, the ability of the firm to enhance growth in scale of operations with further increased revenue and profitability margins, timely completion of projects and efficiently manage its working capital and service the debt obligations promptly will be the key rating sensitivities.

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 Satya Sai Constructions** 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 Satya Sai Constructions was established in the year 1999 promoted by Mr. Krishnam Raju , located in Visakhapatnam, Andhra Pradesh. Partners of the firm are Mr. Krishnam Raju, Ms. Suneetha, Ms. Sai Sumana, Mr. Sai Eswar Kumar and Mr.Dharmaraju. The company undertakes construction of projects such as government building and houses in Andhra Pradesh.

Firm Financial Performance

The firm is reported a total operating income of Rs.39.82 Crores in FY17 and Rs.20.67 Crores in FY16. Operating and net profit margins reported at 6.86% and 4.01% in FY17 as against 5.86% and 3.65% in FY16. Tangible net-worth of the firm stood at Rs.6.75 Crs in FY17. The firm is reported to have debt equity of 1.69X in FY17. On hand orders worth Rs 60.13 Crs to be executed till June 2019

Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	4.6.2018	2016 &2017	2015
1	Fund Based	Long Term	11.12	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Reaffirmed	BWR BB-	Not Rated	Not Rated
2	Non Fund Based	Short Term	7.50	BWR A4 (Pronounced as BWR Single A Four) Reaffirmed	BWR A4	Not Rated	Not Rated
Total			18.62	₹ Eighteen Crores and Sixty Two Lakhs Only			

Status of non-cooperation with previous CRA- Nil

Any other information : Nil

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	39.82	20.67
EBITDA	₹ Cr	2.73	1.21
PAT	₹ Cr	1.60	0.76
Tangible Net worth	₹ Cr	6.75	3.48
Total Debt/Tangible Net worth	Times	1.69	1.69
Current Ratio	Times	0.75	0.42

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)



- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Venkatesh CGM-Ratings	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

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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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

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 ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.