

Sree Geethanjali Constructions

Instruments	Amount (Rs. crore)	Rating Action March 2016
Long-term – Fund based	7.00	[ICRA]B+ / Assigned
Long-term – Unallocated	0.25	[ICRA]B+ / Assigned
Short-term – Non-fund based	8.75	[ICRA]A4 / Assigned

ICRA has assigned the long-term rating of **[ICRA]B+** (pronounced ICRA B plus) to the Rs. 7.00 crore¹ fund based facilities and the Rs. 0.25 crore unallocated facilities of Sree Geethanjali Constructions (SGC / the firm²). ICRA has also assigned a short-term rating of **[ICRA]A4** (pronounced ICRA A four) to the Rs. 8.75 crore non-fund based facilities of the company.

The assigned ratings consider the small scale of operations of the firm, limiting its economies of scale. SGC's high customer and geographic concentration risks have also been considered, with its entire order book comprising orders from the Andhra Pradesh (AP) TRANSCO. The company faces project concentration risks as well, with two projects accounting for over 80% of its unexecuted order book as on September 30, 2015. The firm has witnessed significant decline in operating income in FY13 and FY14 owing to delays in project execution on the back of land acquisition issues; however, operating income witnessed a sharp growth in FY15 driven by higher order execution. The ratings also remain constrained by the financial profile of the company, characterized by stretched capital structure with gearing of 1.3x and TOL/TNW of 3.0x as on March 31, 2015, moderate coverage indicators and a stretched liquidity position as indicated by high average utilization of working capital limits on the back of significantly higher inventory and receivables.

The ratings, nevertheless, favourably factor in the experience of the partners in the electrification of transmission lines business and price escalation clauses for major raw materials mitigating the risk of fluctuations in prices. Given the healthy unexecuted order book to OI ratio of 2.1x for FY15 providing revenue visibility over the medium term, timely execution of the current order book, while managing its working capital requirements effectively, would be SGC's key rating sensitivities.

Firm Profile

Sree Geethanjali Constructions (SGC, "the firm") commenced its operations 1993 and has been involved in execution of electrical turnkey projects, supply Erection Testing Commissioning & Construction of sub-stations and transmission lines from 33/11kv to 220kv, majorly for lift irrigation and power projects and has executed projects in Andhra Pradesh.

Recent Results

SGC reported an operating income of Rs. 28.8 crore with a net profit of Rs.2.1 crore in FY15 as against an operating income of Rs. 2.1 crore with a net profit of Rs. 0.2 crore in FY14.

March 2016

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.



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