



## Sri Venkateswara Constructions Private Limited

| Instrument                      | Amount       | Rating              |
|---------------------------------|--------------|---------------------|
|                                 | In Rs. crore | As on February 2014 |
| Fund based - Cash Credit        | 8.00         | [ICRA]B Assigned    |
| Non-fund based - Bank Guarantee | 2.16         | [ICRA]B Assigned    |

ICRA has assigned a long-term rating of [ICRA]B (pronounced ICRA B) to the Rs. 10.16 crore<sup>\*</sup> fund based and non-fund based facilities of Sri Venkateswara Constructions Private Limited (SVCPL)<sup>†</sup>.

The assigned ratings are constrained by the low scale of operations within the civil contracts segment and the relatively low value additive nature of contracts undertaken leading to significant competition and consequent pressure on margins. The company is also exposed to high geographic concentration risk with orders concentrated only in Andhra Pradesh. The ratings also factor in the highly leveraged capital structure with a gearing of 4.61 times as on 31<sup>st</sup> December 2013 due to the high working capital borrowings and interest-free unsecured loans taken to support the working capital requirement arising out of the stretched receivables position. However the assigned ratings take comfort from the 10-year long experience of the promoters in the civil contracts business and the healthy growth in the operating income over the last four years, albeit over a small base. The ratings also factor in the comfortable order book size of Rs 81 Crore as on 31<sup>st</sup> January 2014 (5.28 times of operating income of FY13) that provides revenue visibility for the next 2 years.

### Company Profile

M/s Sri Venkateswara Constructions, a partnership firm set up in 2006 and promoted by Mr. S. Srinivasa Reddy and Mr. Ramakrishna Reddy was converted into a private limited company, Sri Venkateswara Constructions Private Limited (SVCPL) in January 2012. SVCPL undertakes civil contracts involving building, earthworks, irrigation, water supply and road works for Transmission Corporation of Andhra Pradesh Limited, Andhra Pradesh Irrigation and Command Area Development Department, Andhra Pradesh Education Welfare & Infrastructure Development Corporation, Andhra Pradesh State housing Corporation Limited, Andhra Pradesh Medical Services & Infrastructure Development Corporation, Bharat Dynamics Limited and Andhra Pradesh Rural Water Supply & Sanitation engineering department.

**February 2014**

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\*100 lakh = 1 crore = 10 million

†For complete rating scale and definitions, please refer to ICRA's website <http://www.icra.in> or other ICRA Rating Publications.

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