

## Sai Ram Constructions

Instrument	Amount In Rs Crore	Rating Action
Fund Based Limit - Cash Credit	6.00 (enhanced from 3.00)	[ICRA]BB-(Stable) reaffirmed
Non Fund Based Limit - Bank Guarantee	16.00 (enhanced from 8.50)	[ICRA]BB-(Stable) reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]BB- (pronounced ICRA double B minus) assigned to the Rs. 6.00 crore<sup>1</sup> (enhanced from Rs 3.00 crore) fund based facilities and Rs. 16.00 crore (enhanced from Rs 8.50 crore) non fund based limits of Sai Ram Constructions (SRC)<sup>†</sup>. The outlook on the long term rating is 'Stable'.

The rating reaffirmation remains constrained by small scale of operations as indicated by revenues of Rs 53.97 crore in FY 2016; moderate order book position with Rs 80 crore providing near term revenue visibility; and moderate financial profile of the firm characterised by interest coverage ratio of 5.66 times, net cash accruals-to-total debt of 26% for FY2016. The rating also considers high sector and geographic concentration risk with presence only in irrigation projects in Telangana state; and risk of capital withdrawals being a partnership firm as witnessed in the past 2 years with net worth declining from Rs 9.07 crore as on 31<sup>st</sup> March 2014 to Rs 5.49 crore as on 31<sup>st</sup> March 2016. The rating however derives comfort from the extensive experience of promoters in execution of irrigation infrastructure and improvement in operating income over the last two years from Rs 27.53 crore in FY2014 to Rs 53.97 crore in FY2016 owing to improvement in execution of orders.

Going forward, the ability of the firm to secure new orders, timely execution of the same and managing the working capital requirements will be the key rating sensitivities from credit perspective.

### Firm Profile

Sai Ram Constructions (SRC) was founded as a proprietorship firm in 1983 and was converted into a partnership firm in 2003. It is promoted by Mr. Surender Reddy and family. The firm is involved in execution of water supply and irrigation contracts and is a special class contractor for I&CAD expand Department of Telangana. It specializes in construction of canals, aqueducts, lining, bridges/dams and road works.

### Recent Results

According to audited FY2016, the company recorded an operating income of Rs 53.97 crore with net profit of Rs 2.32 crore as compared to an operating income of Rs.39.58 crore with net profit of Rs 2.24 crore in FY2015.

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<sup>1</sup> 100 lakh = 1 crore = 10 million

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



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