

Srinivasan Associates Private Limited

December 04, 2020

Rating

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	10.00	CARE BB-; ISSUER NOT COOPERATING* (Double B Minus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; (Double B)
Total Facilities	10.00 (Rs. Ten Crore Only)		

Details of instruments/facilities in Annexure

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated September 10, 2019, placed the rating(s) of Srinivasan Associates Private Limited (SAPL) under the 'issuer non-cooperating' category as SAPL had failed to provide information for monitoring of the rating. SAPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated November 28, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers

The rating has been revised by taking into account of non-availability of requisite information due to non-cooperation by Srinivasan Associates Private Limited (SAPL) with CARE's efforts to undertake a review of the outstanding rating as CARE views information availability risk as a key factor in its assessment of credit risk. The rating assigned to the bank facilities of Srinivasan Associates Private Limited (SAPL) continues to be tempered by working capital-intensive nature of operations and presence in the highly fragmented industry along with geographical and customer concentration risk. The rating also factors in decline in total operating income and comfortable capital structure and debt coverage indicators. The rating, however, continues to derive strength from long experience of the promoter and long presence of nearly three decades in construction business and satisfactory profitability margins.

Key Rating Weakness**Decline in total operating income**

Total operating income has declined by 14% to Rs.99.68 Crore in FY19 viz a viz Rs. 115.75 Crore in FY18.

Working capital-intensive nature of operations

The operating cycle of the company stretched to 126 days in FY19 as against 67 days in FY18 due to high inventory holding period of 132 days in FY19. The creditor's and collection period stood at 70 days and 64 days respectively in FY19.

Presence in the highly fragmented industry along with geographical and customer concentration risk

Indian construction industry is a highly competitive and fragmented industry due to the presence of large number of players present at regional levels in the industry. High competition intensity and the medium complexity of work in the sector impact the pricing flexibility of the players and increases competitive risks. The industry is also cyclical in nature exposing the players to the risks associated with down turn therein.

Key Rating Strengths**Long experience of the promoter and long presence of nearly three decades in construction business**

Mr G. Srinivasan graduated in civil engineering from PSG College of Engineering and Technology and had 4 years' experience in Larsen & Toubro as Construction Engineer before establishing his own construction business in 1987. The day-to-day activities of the company are actively managed by Mr Srinivasan. The company has won several awards like 'Vishwakarma Award' 2010 for best professionally managed company (under the category less than Rs.100 crore) from Construction Industry Development Council, New Delhi; conferred Achievement Award 2008 by Coimbatore Civil Engineers Association (COCEA).

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

Satisfactory profitability margins

PBILDT margin remained almost stable at 9.79% in FY19 as against 9.74% in FY18. PAT margin has improved slightly by 85 bps to 5.07% in FY19 as against 4.67% in FY18.

Comfortable capital structure and satisfactory debt coverage indicators

The capital structure marked by overall gearing has improved on account of decrease in debt levels as against increasing networth base. The same stood at 0.31x as on March 31, 2019 as against 0.54x as on March 31, 2018.

Further total debt to GCA has also improved to 1.71x in FY19 from 2.59x in FY18 witnessing comfortable debt coverage indicators. Adding, interest coverage ratio also stood healthy at 8.49x in FY19 though deteriorated mildly from 8.92x in FY18.

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating methodology – Construction sector](#)

About the Company

Srinivasan Associates Private Limited was originally established as 'Srinivasan Associates' by Mr. G.Srinivasan in 1987, as a proprietorship firm engaged in construction of residential and commercial buildings on contract basis. Subsequently in 2006, the constitution was changed to a private limited company under the name 'Srinivasan Associates Private Limited' (SAPL). Mr. G.Srinivasan and Mrs.S.Malarvizhi (wife of Mr. G.Srinivasan) are the directors. The company is ISO 9001:2008 certified. SAPL has executed projects across Tamilnadu, Andhra Pradesh, Karnataka and Haryana and is presently concentrating in projects in Tamilnadu (Coimbatore, Madurai and Chennai). SAPL is also engaged in manufacturing of flyash bricks which is used for captive purpose.

Brief Financials (Rs. crore)	FY18 (A)	FY19(A)
Total Operating Income	115.75	99.68
PBILDT	11.27	9.76
PAT	5.40	5.05
Overall gearing (times)	0.54	0.31
Interest coverage (times)	8.92	8.49

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE BB-; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE BB-; ISSUER NOT COOPERATING*	-	1)CARE BB; ISSUER NOT COOPERATING* (10-Sep-19)	1)CARE BB+; ISSUER NOT COOPERATING* (14-Jun-18)	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Information not available

Annexure 4: Complexity level of various instruments rated for this Firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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