

September 26, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	7.20	SMERA B-/Stable (Assigned)
Letter of Credit	5.00*	SMERA A4 (Assigned)
Bank Guarantee	2.50*	SMERA A4 (Assigned)
Forward Contract	0.45	SMERA A4 (Assigned)

* Fully interchangeable between Letter of Credit & Bank Guarantee limit to the extent of Rs.1.00 crore

SMERA has assigned ratings of '**SMERA B-**' (read as SMERA single B minus) and '**SMERA A4**' (read as SMERA A four) to the abovementioned bank facilities of SRV Telecom Private Limited (SRV). The outlook is '**Stable**'. The ratings are constrained by the company's short track record of operations in the current line of business (manufacturing of induction cooktops). The ratings are also constrained by the company's small operating scale and weak profitability. The ratings factor in the company's high exposure to customer concentration risk amidst intense competition in the consumer durables industry. The ratings also factor in risks related to the company's working capital-intensive operations. The aforementioned weaknesses are partially offset by the company's low gearing and moderate interest coverage ratio.

SRV (incorporated in 1995) is a Bengaluru-based company engaged in manufacturing of induction cooktops since 2012, prior to which the company manufactured telephone sets and remote controls. SRV's small-scale operations are reflected in total operating income of Rs.25.93 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company incurred operating loss of Rs.0.30 crore (provisional) in FY2013-14. SRV's net profit of Rs.1.68 crore (provisional) in FY2013-14 arises from non-operating income (profit on sale of assets) of Rs.2.75 crore. The company is exposed to high level of customer concentration arising from total dependence on orders received from TTK Prestige Limited. Moreover, SRV faces intense competition from several players in the consumer durables industry. The company has a stretched working capital cycle of 276 days with an extended collection period of 168 days in FY2012-13.

SRV's gearing (debt-equity ratio) is low at 0.67 times as on March 31, 2014. The company's interest coverage ratio is moderate at 2.29 times (provisional) in FY2013-14.

Outlook: Stable

SRV's rating has a 'Stable' outlook. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues and profitability while achieving healthy financial risk profile and efficient working capital management. The outlook may be revised to 'Negative' in case of decline in the company's profit margins, or in case of significant deterioration in the company's financial risk profile.

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About the company

SRV, established in 1995, is a Bengaluru-based company promoted by Mr. E. K. Surendran and Mr. E. K. Sanjeev. SRV is engaged in manufacturing of induction cooktops since 2012, prior to which the company manufactured telephone sets and remote controls.

For FY2012–13, SRV reported profit after tax (PAT) of Rs.0.36 crore on operating income of Rs.25.93 crore, as compared with PAT of Rs.0.32 crore on operating income of Rs.20.94 crore in FY2011–12. SRV registered revenue of Rs.25.63 crore (provisional) in FY2013–14. The company's net worth stood at Rs.11.77 crore as on March 31, 2013, as compared with Rs.11.41 crore a year earlier.

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