

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.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

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.

Contact List:

| Media / Business Development | Analytical Contacts | Rating Desk |
|--|--|--|
| Mr. Virendra Goyal Vice President – SME Sales Tel: +91-22-6714 1177 Cell: +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in | Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in | Tel: +91-22-6714 1170 Email: ratingdesk@smera.in |

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.