

February 02, 2016

Facilities	Amount (Rs. Crore)	Rating
Term Loan	9.30	SMERA B-/Stable (upgraded from SMERA D)
Cash Credit	2.00	SMERA B-/Stable (Upgraded from SMERA D)
Term Loan (Proposed)	4.00	SMERA B-/Stable (Assigned)
Cash Credit (Proposed)	3.00	SMERA B-/Stable (Assigned)

SMERA has upgraded the long-term rating of '**SMERA B-**' (read as SMERA B minus) from SMERA D (read as SMERA D) to the Rs. 11.30 crore bank facilities and assigned long-term rating of '**SMERA B-**' (read as SMERA B minus) to the Rs. 7.00 crore bank facilities of Tirupati Sprinklers (TS). The outlook is '**Stable**'.

The rating upgrade is in view of the timely servicing of debt by the firm and improvement in revenues to Rs.22.25 crore in FY2014-15 from Rs.17.57 crore in FY2013-14. The upgrade is further supported by the experienced management. However, the rating remains constrained by the weak financial risk profile backed by high leverage (debt-equity ratio) and losses in FY2013-14 and FY2014-15. The rating also factors in the low scale of operations amidst intense competition in the agro equipment industry.

### Update

TS's has serviced its debt obligations on time since July, 2015 and continues to benefit from its experienced management. Mr. Arun Kumar Jajodia, Proprietor has over a decades experience in the firm's line of business. TS's weak financial risk profile is evident from the high leverage (debt-equity ratio) at 2.68 times for FY2014-15 as compared to 2.02 times in the previous year. The interest coverage ratio stood at 2.25 times in FY2014-15.

However, on the business front, the scale of operations of the firm continue to remain low evident from the operating income of Rs.22.25 crore in FY2014-15. The firm faces intense competition from several players in the agro equipment industry.

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## Outlook: Stable

SMERA believes that TS will maintain a stable business risk profile owing to the management's extensive experience in the same line of business and established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues, profitability margins and accruals while maintaining its working capital. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and accruals or elongation of working capital cycle.

## Rating Sensitivity Factors

- Scaling up of operations while managing working capital funds
- Timely completion of the new project

## About the Firm

TS, incorporated in 2002, is a Jaipur-based proprietorship firm promoted by Mr. Arun Kumar Jajodia. The firm is engaged in the manufacture of irrigation sprinklers and dippers.

For FY2014–15, TS reported net loss of Rs.0.78 crore on operating income of Rs.22.25 crore, as compared with net loss of Rs. 0.27 crore on operating income of Rs.17.57 crore in the previous year. For FY2015-16, the firm's net worth stood at Rs.3.71 crore as on March 31, 2015, as compared with Rs.4.07 crore a year earlier.

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