

## Press Release

### Tirupati Sprinklers (TS)

March 27, 2017

### Rating Upgraded

<b>Total Bank Facilities Rated*</b>	Rs.18.30 Cr
<b>Long Term Rating</b>	SMERA B/Stable

\*Refer Annexure for details

### Rating Rationale

SMERA has upgraded the long-term rating on the Rs.18.30 crore bank facilities of Tirupati Sprinklers (TS) to '**SMERA B** (read as SMERA B)' from 'SMERA B- (read as SMERA B minus) The outlook is '**Stable**'.

Tirupati Sprinklers was established in 2002. The Jaipur-based proprietorship concern is engaged in the manufacturing of irrigation sprinklers and drippers.

The rating upgrade takes into account the significant improvement in revenues, profitability and coverage indicators. SMERA believes that going forward the firm would improve its business risk profile with addition of new customers and improvement in the working capital cycle.

#### List of key rating drivers and their detailed description:

##### Strengths:

**Experienced management and long track record of operations:** The promoter, Mr. Arun Kr. Jajodia has extensive experience of over a decade in the agro equipment industry. The firm has developed long term relations with reputed customers.

**Average financial risk profile:** The average financial profile of the firm is marked by comfortable interest coverage ratio at 3.11 times in FY2016 as compared to 2.25 times in FY2015. The operating margin stood at 14.67 per cent in FY2016 as compared to 13.21 per cent in FY2015. The RoCE stood at 12.06 per cent in FY2016 as against 4.02 per cent in FY2015. SMERA also notes that the firm has moderate gearing of 1.89 times in FY2016 as compared to 2.36 times in FY2015.

##### Weaknesses:

**Small scale of operations:** TS has small scale of operations with operating income of Rs.29.86 crore in FY2016 as compared to Rs.22.25 crore in FY2015.

**Intense competition:** TS operate in a highly fragmented industry wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

**Analytical approach:** SMERA has considered the standalone business and financial risk profile of the firm.

##### Applicable Criteria

- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

## Outlook: Stable

SMERA believes that the firm will maintain a stable outlook owing to the management's extensive experience in the agro engineering industry and long track of operations. The outlook may be revised to 'Positive' in case of sustained increase in revenue and accruals while improving its profitability margins. Conversely, the outlook may be revised to 'Negative' in case of large debt funded capex.

## About the Rated Entity

Tirupati Sprinklers, established in 2002, is a Jaipur-based proprietorship firm engaged in the manufacturing of irrigational sprinklers and drippers. The firm was promoted by Mr. Arun Kr. Jajodia who possesses over a decades experience in the agro engineering industry. The company procures raw material from IOCL, GAIL and sells its products in the domestic market under the 'Tirupati' brand name.

For FY2016, TS reported PAT of Rs.0.21 cr on operating income of Rs.29.86 cr as compared to net loss of Rs.0.78 cr on operating income of Rs.22.25 cr for FY2015. The net worth stood at Rs.4.60 cr in FY2016 as against Rs.4.06 cr last year. The net worth of Rs.4.60 cr in FY2016 includes quasi equity of Rs.0.35 cr.

**Status of non-cooperation with previous CRA (if applicable):** Not Applicable

**Any other information:** Not Applicable

## Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	2.00	SMERA B/Stable (Upgraded)	Feb 2	SMERA B-/Stable (Upgraded)	Feb 28	SMERA D (Assigned)	-	-
Term Loan	LT	9.30	SMERA B/Stable (Upgraded)	Feb 2	SMERA B-/Stable (Upgraded)	Feb 28	SMERA D (Assigned)	-	-
Proposed Cash Credit	LT	3.00	SMERA B/Stable (Upgraded)	Feb 2	SMERA B-/Stable (Assigned)	-	-	-	-
Proposed Term Loan	LT	4.00	SMERA B/Stable (Upgraded)	Feb 2	SMERA B-/Stable (Assigned)	-	-	-	-

**\*Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	2.00	SMERA B/Stable (Upgraded)
Term Loan	N.A	N.A	Not Available	9.50	SMERA B/Stable (Upgraded)
Proposed Cash Credit	N.A	N.A	N.A	3.00	SMERA B/Stable (Upgraded)
Proposed Term Loan	N.A	N.A	N.A	4.00	SMERA B/Stable (Upgraded)

**Note on complexity levels of the rated instrument:**

<https://www.smera.in/criteria-complexity-levels.htm>

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**ABOUT SMERA**

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