

March 26, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	0.98	SMERA BB/Stable (Assigned)
Cash Credit	7.00	SMERA BB/Stable (Assigned)
Letter of Credit	2.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as SMERA double B) and '**SMERA A4+**' (read as SMERA A four plus) to the abovementioned bank facilities of Srinivasa Link (Srinivasa). The outlook is '**Stable**'. The ratings are constrained by the firm's working capital-intensive operations. The ratings note that the firm faces intense competition in the cables and wire industry. The ratings are also constrained by the susceptibility of the firm's profit margins to volatility in prices of raw materials. However, the ratings are supported by the firm's established track record of operations, experienced management and reputed customers. The ratings also draw comfort from the firm's healthy return ratio and moderate financial risk profile.

Srinivasa, established in 1997, is a Gujarat-based partnership firm engaged in manufacturing and trading of low-tension cables and household wires. Srinivasa's operations are working capital-intensive as the firm offers liberal credit terms to customers, while payments to suppliers are made in advance. Srinivasa's working capital cycle is stretched at 126 days in FY2013-14 (refers to financial year, April 01 to March 31). The firm's profitability is susceptible to volatility in prices of key raw materials such as copper and aluminium. Srinivasa benefits from its experienced management. Mr. Srinivasan, partner of Srinivasa, has around 35 years of experience in the cables and wire industry. Srinivasa also benefits from its long-standing relations with various reputed customers including Siemens. Srinivasa's rating draws comfort from healthy return on capital employed (RoCE) of 16.01 per cent in FY2013-14. The firm's moderate financial risk profile is reflected in leverage of 1.04 times as on March 31, 2014 and interest coverage ratio of 1.50 times in FY2013-14.

Outlook: Stable

SMERA believes Srinivasa will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and long-standing relations with customers. The outlook may be revised to 'Positive' in case the firm registers substantial growth in scale of operations while maintaining comfortable profit margins and achieving sustained improvement in coverage indicators. The outlook may be revised to 'Negative' in case the firm fails to achieve the projected scalability amidst intensifying competition in its area of operation, or in case of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

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About the firm

Srini was established as proprietorship concern in 1997 by Mr. V. Deiva Sigamani. The firm was later converted into a partnership entity in 2007. The overall operations of the firm are currently managed by Mr. Sigamani and his sons. Srini is engaged in manufacturing of cables and wires. The firm's product portfolio includes PVC cables, copper wires, RoHS cables and XLPE cables. Srini has a manufacturing unit in G.I.D.C, Umbergaon. The company is setting up a new facility for manufacturing high tension wires. The project will be entirely funded through promoters' funds and internal accruals.

For FY2013-14, Srini reported profit after tax (PAT) of Rs.0.33 crore on operating income of Rs.33.45 crore, as compared with PAT of Rs.0.36 crore on operating income of Rs.38.05 crore in FY2012-13. Srini's net worth stood at Rs.8.56 crore as on March 31, 2014, as compared with Rs.7.61 crore a year earlier.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Virendra Goyal Vice President, SME – Sales Tel: +91-22-6714 1177 Cell: +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in	Vinay Chhawchharia Manager – Criteria Tel: +91-22-6714 1156 Email: vinay.chhawchharia@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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