

May 06, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	4.00	SMERA BB/Stable (Assigned)
Letter of Credit	1.00	SMERA A4+ (Assigned)
Bank Guarantee	2.84	SMERA A4+ (Assigned)
Cash Credit (proposed)	0.50	SMERA BB/Stable (Assigned)
Letter of Credit (proposed)	1.00	SMERA A4+ (Assigned)
Bank Guarantee (proposed)	1.66	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (**read as SMERA double B**) and a short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the abovementioned bank facilities of Surakhsha Transport Systems (India) Private Limited (STSIPL). The outlook is '**Stable**'. The ratings are supported by the company's reputed clientele, experienced management and moderate coverage indicators. However, the ratings are constrained by the company's modest-scale operations, low operating profit margin and high gearing (debt-equity ratio).

STSIPL, incorporated in 2000, is a Coimbatore-based company engaged in manufacturing of freight containers and stainless steel tanks. STSIPL caters to several reputed customers such as Tata Motors Limited, VE Commercial Vehicles Limited, Ashok Leyland Limited and Ingersoll Rand India Limited. STSIPL benefits from its experienced management. Mr. V. P. Vargheese, managing director of STSIPL, has around three decades of experience in the company's line of business. STSIPL's interest coverage ratio is moderate at 2.73 times in FY2013-14 (refers to financial year, April 01 to March 31).

STSIPL has modest-scale operations with operating income of Rs.58.61 crore in FY2013-14. The company's operating profit margin is low at 3.55 per cent in FY2013-14 (4.68 per cent in the previous year). STSIPL's gearing (debt-equity ratio) is high at 2.25 times as on March 31, 2014.

Outlook: Stable

SMERA believes STSIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in scale of operations while achieving sustained improvement in profitability. The outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues, or in case of deterioration in the company's financial risk profile.

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About the company

STSIPL, incorporated in 2000, is a Coimbatore-based company promoted by Mr. V. P. Vargheese, Mr. V. D. Sasindran Nair and Mr. D. Babu. STSIPL is engaged in manufacturing of freight containers and stainless steel tanks. The company specializes in manufacturing of super structures on truck chassis.

For FY2013-14, STSIPL registered profit after tax (PAT) of Rs.0.57 crore on revenue of Rs.58.61 crore, as compared with PAT of Rs.0.31 crore on revenue of Rs.34.06 crore in FY2012-13. The company registered revenue of Rs.52.20 crore (provisional) for the period April 2014 to February 2015. STSIPL's net worth stood at Rs.3.53 crore as on March 31, 2014, as compared with Rs.2.96 crore a year earlier.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President - Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 98208 02479 Email: antony.jose@smera.in	Shripad Nande Manager – Operations Tel: +91-22-6714 1329 Email: shripad.nande@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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