

October 28, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	1.90	SMERA B-/Stable (Assigned)
Cash Credit	3.00	SMERA B-/Stable (Assigned)
Cash Credit (Proposed)	4.00	SMERA B-/Stable (Assigned)
Bank Guarantee	1.30	SMERA A4 (Assigned)
Bank Guarantee (Proposed)	1.70	SMERA A4 (Assigned)

SMERA has assigned a long term rating of '**SMERA B-**' (**read as SMERA B minus**) and a short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.11.90 crore bank facilities of Guhan Sanjeevi Enterprises (GSE). The outlook is '**Stable**'. The ratings are constrained by the firm's modest scale of operations, weak debt protection metrics especially gearing and stressed working capital management. The ratings are also constrained by exposure of the firm's profit margins to volatility in raw material prices (Steel) and intense market competition. However, the ratings derive comfort from the established operational track record of the firm.

Rating Sensitivity Factors

- Revenue scalability and healthy profitability
- Effective working capital management
- Future capital expenditure plans and its funding

Outlook: Stable

SMERA believes that GSE will continue to benefit over the medium term from the two decades of experience of the management. The outlook may be revised to 'Positive', if the firm achieves sustained improvement in net cash accruals while maintaining effective working capital management. Conversely, the outlook maybe revised to 'Negative' in case of significant decline in the firm's cash accruals with stressed working capital management resulting in deteriorating financial profile.

About the Company

GSE, established in 2003, is a Chennai-based partnership firm engaged in the trading of iron and steel pipes and undertakes fabrication work. Mr. S. Vimal and Mrs. S. Prabula, the managing partners handle the day-to-day operations of the firm.

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For FY2013-14, the firm reported profit after tax (PAT) of Rs.0.43 crore on operating income of Rs.25.60 crore as against PAT of Rs.0.28 crore on operating income of Rs.20.19 crore in FY2012-13.

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