

Guhan Sanjeevi Enterprises:Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	4.50	SMERA B/Stable (Suspension Revoked; Rating Assigned)
Term Loan	1.90	SMERA B/Stable (Suspension Revoked; Rating Assigned)
Bank Guarantee	3.00	SMERA A4 (Suspension Revoked; Rating Assigned)
Proposed Cash Credit	2.50	SMERA B/Stable (Suspension Revoked; Rating Assigned)

SMERA has revoked the suspension on the abovementioned bank facilities of Guhan Sanjeevi Enterprises (GSE) and assigned long term rating of **'SMERA B' (read as SMERA B)** and short term rating of **'SMERA A4' (read as SMERA A four)**. The outlook is **'Stable'**.

The ratings continue to derive comfort from the long track record of operations, experienced management and healthy revenue growth. However, the ratings are constrained by the below average financial risk profile and working capital intensive operations. The ratings also factor in the susceptibility of margins to volatility in raw material prices of iron and steel.

GSE has been in operation since 2003. The management team headed by Mr. Vimal, Partner has two decades of experience in the trading of iron and steel pipes. GSE registered revenues of Rs.41.65 crore in FY2016 (provisional) as against Rs.35.49 crore in FY2015. Further, the firm registered revenue of Rs.22.00 crore for 5MFY2016-17.

The firm has a below average financial risk profile marked by gearing which is high at 6.16 times as on 31 March 2016 (provisional). The coverage indicators of GSE have marginally improved to 1.64 times in FY2016 (provisional) from 1.21 times for FY2015. The operations of GSE are working capital intensive marked by Gross current assets of 152 days for FY2016. Further, the cash credit facilities have been fully utilised in the last six months.

The firm is exposed to fluctuation in raw material prices of steel and iron. The operating margins have declined to 3.97 percent in FY2016 from 6.01 percent in FY2015.

Rating Sensitivity Factors

- Scaling up operations while improving in margins
- Efficient working capital management
- Improvement in capital structure

Outlook-Stable

SMERA believes that GSE will continue to maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while maintaining operating profitability and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability or registers further deterioration in the financial risk profile.

Criteria applied to arrive at the rating:

- Trading Entities

About the Firm

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

For FY2015-16 (Provisional), GSE reported net profit of Rs.0.60 crore on operating income of Rs.41.65 crore, as compared with net profit of Rs.0.32 crore on operating income of Rs.35.49 crore in FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
29 July, 2016	Term Loan	1.90	SMERA B- (Suspended)	-	Stable
	Cash Credit (Proposed)	3.00	SMERA B- (Suspended)	-	Stable
	Cash Credit (Proposed)	4.00	SMERA B- (Suspended)	-	Stable
	Bank Guarantee	1.30	-	SMERA A4 (Suspended)	-
	Bank Guarantee (Proposed)	1.70	-	SMERA A4 (Suspended)	-
28 October, 2015	Term Loan	1.90	SMERA B- (Assigned)	-	Stable
	Cash Credit	3.00	SMERA B- (Assigned)	-	Stable
	Cash Credit (Proposed)	4.00	SMERA B- (Assigned)	-	Stable
	Bank Guarantee	1.30	-	SMERA A4 (Assigned)	-
	Bank Guarantee (Proposed)	1.70	-	SMERA A4 (Assigned)	-

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ABOUT SMERA

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