

April 27, 2016

| Facilities | Amount (Rs. Crore) | Ratings |
|------------------|-----------------------|-----------------------------|
| Cash Credit | 5.00 | SMERA BB-/Stable (Assigned) |
| Bank Guarantee | 3.00 | SMERA A4+ (Assigned) |
| Letter of Credit | 2.00 | SMERA A4+ (Assigned) |

SMERA has assigned long term rating of '**SMERA BB-' (read as SMERA double B minus)** and short term rating of '**SMERA A4+' (read as SMERA A four plus)** on the Rs.10.00 crore bank facilities of Sinex Systems Private Limited (SSPL). The outlook is '**Stable**'.

The ratings derive comfort from the experienced management, healthy order book and reputed clientele. However, the ratings are constrained by the modest scale of operations and fluctuating profitability. The ratings also factor in the working capital intensive nature of operations and average financial risk profile marked by moderate gearing levels and low interest coverage ratio.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Efficient working capital management

Outlook – Stable

SMERA believes that SSPL will continue to benefit over the medium term from its promoters' extensive experience and long term association with customers. The outlook may be revised to 'Positive' if the company scales up operations while improving profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, deterioration of profit margins or capital structure. Besides, a deteriorating financial risk profile owing to higher-than-expected working capital requirements/debt funded capex may also result in a 'Negative' outlook.

About the Company

SSPL was established in 1995 under the directorship of Mr. Badri Narayanan and Mrs. Varalakshmi Badri Naryanan. The company manufactures displays, signages and stretch ceilings (under the brand name Euroceil).

For FY2014-15, SSPL reported profit after tax (PAT) of Rs.0.53 crore on operating income of Rs.16.75 crore, as compared with profit after tax (PAT) of Rs. 0.18 crore on operating income of Rs. 12.88 crore in FY2013-14.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

Sinex Systems Private Limited (SSPL)

Rating
Rationale

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