

Press Release

Sinex Systems Private Limited (SSPL)



21 March, 2018

Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. Cr. 15.00 (Enhanced from Rs. 10.00 Cr.)
Long Term Rating	SMERA BB/Stable (Upgraded)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer annexure for details

SMERA has upgraded the long term rating on the Rs. 5.00 crore bank facilities of Sinex Systems Private Limited (SSPL) to '**SMERA BB** (read as SMERA double B) from '**SMERA BB-**' (read as SMERA double B minus) and reaffirmed the short term rating on the Rs. 5.00 crore bank facilities of '**SMERA A4+**' (read as SMERA A four plus).

Further, SMERA has also assigned long term rating of '**SMERA BB** (read as SMERA double B) on the Rs. 5.00 crore bank facilities. The outlook is '**Stable**'.

The Chennai-based SSPL, established in 1995 by Mr. Badri Narayanan and Mrs. Varalakshmi Badri Naryanan, is engaged in the manufacturing of signages, displays and stretch ceilings under the Euroceil brand name.

Key rating drivers

Strengths

Experienced management and reputed clientele

Mr. Badri Narayanan has experience of over two decades in the aforementioned line of business. This has helped the company establish long term relations with customers and suppliers.

SSPL caters to reputed organisations including Oil and Natural Gas Corporation Ltd (ONGC) Hindustan Petroleum Corporation Limited (HPCL), Bharat Petroleum Corporation Limited (BPCL) and Reliance Industries Limited (RIL).

Weaknesses

Moderate financial risk profile

The financial risk profile of SSPL is moderate marked by net worth of Rs. 5.48 crore as on 31 March, 2017 as against Rs. 4.24 crore as on 31 March, 2016. The gearing has been moderate at 1.22 times as on 31 March, 2017 and 1.28 times in the previous year. The Interest Coverage Ratio stood at 2.89 times in FY2017 as against 2.87 times in FY2016. The Debt Service Coverage Ratio stood at 2.25 times in FY2017 compared to 2.21 times in FY2016.

Working capital intensive operations

The operations are working capital intensive marked by high GCA days of 216 in FY2017 as against 171 in FY2016. The high GCA days are driven by high debtor days of 123 in FY2017 as against 90 in FY2016.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of SSPL to arrive at the rating.

Outlook – Stable

SMERA believes that the outlook on SSPL will remain Stable over the medium term on account of the extensive experience of the management in the advertising industry. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or deterioration of the financial risk profile due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	32.32	31.34	16.75
EBITDA	Rs. Cr.	3.05	2.63	0.75
PAT	Rs. Cr.	1.16	1.04	0.53
EBITDA Margin	(%)	9.43	8.38	4.47
PAT Margin	(%)	3.59	3.31	3.17
ROCE	(%)	26.13	29.53	19.16
Total Debt/Tangible Net Worth	Times	1.22	1.28	1.29
PBDIT/Interest	Times	2.89	2.87	2.29
Total Debt/PBDIT	Times	2.15	2.02	2.87
Gross Current Assets (Days)	Days	216	171	244

Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing entities- <https://www.smera.in/criteria-services.htm>

Note on complexity levels of the rated instrument
<https://www.smera.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
19 Jul, 17	Cash Credit	Long Term	5.00	SMERA BB- (Indicative)
	Bank Guarantee	Short Term	3.00	SMERA A4+ (Indicative)
	Letter of Credit	Short Term	2.00	SMERA A4+ (Indicative)
27 Apr, 16	Cash Credit	Long Term	5.00	SMERA BB- / Stable (Assigned)
	Bank Guarantee	Short Term	3.00	SMERA A4+ (Assigned)
	Letter of Credit	Short Term	2.00	SMERA A4+ (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	5.00	SMERA BB/ Stable (Upgraded)
Bank guarantee	NA	NA	NA	3.00	SMERA A4+ (Reaffirmed)
Letter of credit	NA	NA	NA	2.00	SMERA A4+ (Reaffirmed)
Proposed Facility	NA	NA	NA	5.00	SMERA BB/ Stable (Assigned)

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ABOUT SMERA

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