

May 20, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	17.00	SMERA BBB-/Stable (Assigned)
Bill Discounting	3.00	SMERA A3 (Assigned)
Bank Guarantee*	15.00	SMERA A3 (Assigned)

**Includes sub-limit of letter of Credit of Rs.7.50 crore*

SMERA has assigned ratings of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the Rs.17.00 crore long-term (fund-based) bank facilities and '**SMERA A3**' (read as **SMERA A three**) to the Rs.18.00 crore short-term (non-fund based) bank facilities of Sidwal Refrigeration Industries Private Limited (SRIPL). The outlook is '**Stable**'. The ratings derive comfort from the company's experienced management, healthy financial risk profile and comfortable business risk profile supported by its healthy profitability and strong order book position. However, the ratings are constrained by the working capital-intensive operations and its exposure to competition from other players operating in air conditioning and refrigeration industry.

SRIPL, incorporated in 1974, is a New Delhi-based company provides comprehensive services in designing, system engineering, supply, testing, installation, and commissioning of air-conditioning and cooling solutions. Company benefits from its experienced management. Mr. SS Sidhu, director of SRIPL, a mechanical engineer from the University of Michigan, has around 40 years of experience in the refrigeration industry. SRIPL's healthy financial risk profile is marked by low leverage (debt-equity ratio) of 0.03 times (provisional) in FY2015-16 against 0.42 times in FY2014-15, strong interest coverage ratio of 6.95 times (provisional) in FY2015-16 against 3.99 times in FY2014-15 (refers to financial year, April 01 to March 31) and net cash accruals to total debt (NCA/TD) of 6.05 times (provisional) in FY2015-16 against 0.48 times during previous year.

SRIPL's comfortable liquidity position is evidenced from healthy net worth of Rs. 48.89 crore (provisional) in FY2015-16 against Rs.41.59 crore during previous year. Further company's adequate liquidity profile is characterized from moderate utilisation (60 per cent) of working capital limits during June 2015 to April 2016.

SRIPL's healthy profitability profile is marked by operating margins and profit after tax of 17.49 per cent and 10.00 per cent (provisional) in FY2015-16 against 14.42 per cent and profit after tax of 7.85 per cent in FY2014-15. The healthy improvement in margins are driven by reduction in raw material prices along with change in banker leads to lower cash outflow in the form of interest and finance charge in FY2015-16. SMERA believes company will report revenue of around Rs.105-115 crore in FY2016-17, which is supported by order book of around Rs.70 crore as on April 30, 2016, which has to be perform over the next six months.

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.

SRIPL faces intense competition from several players in the refrigeration industry. The company's operations are working capital-intensive, as they have to give various deposits to their government customer which is evident from gross current assets (GCA) of 196 days (provisional) in FY2015-16 against 234 days during previous year. Also, they are offering diversified products to its client, in order to meet the demand; they have maintained stock for 3-4 months. SMERA believes company's operations are expected to remain working capital intensive over the medium term due to dealing with government clients along with maintenance of inventory for around three months on the back of diversified product offering.

Outlook: Stable

SMERA believes that SRIPL business risk profile will remain stable over the medium term backed by its established market position with the institutional buyers like Indian railways, BEML, BSNL and BEL and the extensive industry experience of its promoters. The outlook may be revised to 'Positive' if the company's scale of operations improves significantly, most likely through healthy order flows from its key clientele, coupled with higher profitability and prudent management of its working capital requirements. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues or accruals or in case of elongation in its working capital cycle or significant debt funded capex leading to pressure on debt protection metrics.

About the company

SRIPL, incorporated in 1974, is a New Delhi-based company promoted by Mr. SS Sidhu. SRIPL provides comprehensive services in designing, system engineering, supply, testing, installation, and commissioning of air-conditioning and cooling solutions.

For FY2014-15, SRIPL reported profit after tax (PAT) of Rs.7.40 crore on operating income of Rs.94.23 crore, as compared with PAT of Rs.0.20 crore on operating income of Rs.56.43 crore in the previous year. As per provisional financials for FY2015-16, company reported operating income of Rs.94.49 crore and PAT of Rs. 9.45 crore. The company's net worth stood at Rs.41.59 crore as on March 31, 2015, as compared with Rs.34.19 crore a year earlier.

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.

Contact List

Media/Business Development	Analytical Contact	Rating Desk
Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in	Parimal Thakker Associate Vice President – Corporate Ratings Tel: +91-011-4973 1312 Email: parimal.thakker@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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.