

Saisree Engineers Private Limited: Assigned

| Facilities | Amount (Rs. Crore) | Ratings/Outlook |
|------------------------------------|--------------------|----------------------------|
| Cash Credit | 5.00 | SMERA B-/Stable (Assigned) |
| Term Loan | 5.00 | SMERA B-/Stable (Assigned) |
| Bank Guarantee/Letter of Guarantee | 5.00 | SMERA A4 (Assigned) |

SMERA has assigned long term rating of '**SMERA B-**' (**read as SMERA B minus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.15.00 crore bank facilities of Saisree Engineers Private Limited (SEPL). The outlook is '**Stable**'.

The ratings derive comfort from the experienced management and healthy operating margins. However, the ratings are constrained by the below average financial risk profile marked by weak debt protection metrics, stretched liquidity position and uneven trends in operating income in the past.

SEPL is headed by Mr. S.S.N Raju (Managing Director) who possesses extensive experience in the coal mining industry. The company's financial risk profile is marked by net worth of Rs.7.22 crore as on March 31, 2015 together with ICR at 2.00 times and DSCR at 0.94 times as on March 31, 2015. Further, the gearing has been moderate at 1.61 times as on March 31, 2015.

However, the profits of the company are susceptible to fluctuations in raw material prices. The margins of the company have improved. In FY2013, the EBITDA stood at 6.46 per cent which rose to 19.53 per cent in FY2014 and 32.79 per cent in FY2015. The PAT margin was 5.07 per cent in FY2014 which fell to 1.37 per cent in FY2016.

Rating Sensitivity Factors

- Improving scale of operations
- Maintaining stable margins
- Fluctuations in raw material prices
- Timely repayment of debt

Outlook-Stable

SMERA believes that SEPL will maintain a stable outlook over the medium term owing to the extensive experience of the management and benefits from the established position in the cotton yarn industry. The outlook may be revised to 'Positive' if SEPL registers substantial increase in profitability margins supported by healthy revenue growth or significant improvement in its capital structure as a result of equity infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or significant deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

About the Company

SEPL, incorporated in August 2009 by Mr. S.S.N Raju and Mrs. Rama Devi S V is engaged in the coal mining business and bids for mining contracts. Currently, the company is engaged in contract work for Bharat Coking Coal (BCCL - Subsidiary of Coal India) in Dhanbad, Jharkhand. The current capacity for dumping of coal is 10,000 cubic meters per day.

As per FY2015-16 provisionals, the company reported net profit (PAT) of Rs.1.44 crore on operating income of Rs.23.94 crore as against net profit (PAT) of Rs.0.19 crore on operating income of Rs.14.00 crore in previous year.

Contacts:

| Analytical | Business Development |
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| Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in | Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in |

ABOUT SMERA

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