

Senthil Enterprises-JV: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Overdraft	2.00	SMERA B/Stable (Assigned)
Bank Guarantee	3.85	SMERA A4 (Assigned)

SMERA has assigned long term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) to the above mentioned bank facilities of Senthil Enterprises-JV. The outlook is '**Stable**'.

The ratings are constrained by the limited track record of operations, customer concentration risk (Western Coalfields Limited is the sole customer) and tender based business. However, the ratings derive comfort from the experienced management, moderate financial risk profile and strong revenue visibility in the medium term owing to the two year contract signed with Western Coalfields Limited.

SE, established in 2015, began commercial operations from 2016. The firm is engaged in the excavation and transportation of coal over burden. The moderate financial risk profile of the firm is marked by high gearing of around 3.68 times in FY2016 (provisional), comfortable operating profit margin and coverage ratios.

The total debt includes unsecured loans to the tune of Rs.2.17 crore from family/relatives. The operating profit margin is comfortable and stood at 14.93 per cent in FY2016 (Provisional). The interest coverage ratio and DSCR are comfortable at 3.13 times and 3.06 times in FY2016 (provisional) respectively. The above ratings also factor in SE's customer concentration risk with 100 per cent revenue being generated from its client, Western Coalfields Limited.

However, the firm benefits from its experienced management. Mr. Senthil Kumar and Mr. Palanisamy, partners, have more than a decades experience in the line of business.

Rating Sensitivity Factors

- Addition of new customers
- Generating adequate net cash accruals
- Deterioration in the capital structure

Outlook-Stable

SMERA believes that the outlook on SE's rated facilities will remain stable over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm registers higher-than-expected revenues and net cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected net cash accruals or deterioration in the financial profile on account of stretch in working capital management or larger-than-expected debt-funded capital expenditure.

Criteria applied to arrive at the ratings

- Manufacturing Entities

About the Firm

Senthil Enterprises JV, established in 2015 is a Tamil Nadu-based partnership firm promoted by Mr. Senthil Kumar and Mr. Palanisamy. The firm is engaged in the removal and transportation of coal overburden.

For FY2016 (Provisional), the firm reported profit after tax (PAT) of Rs.0.31 crore on operating income of Rs.33.68 crore.

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ABOUT SMERA

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