

### S.M. Engineering Works: Assigned

| Facilities      | Amount (Rs Crore) | Ratings/Outlook            |
|-----------------|-------------------|----------------------------|
| Cash Credit     | 6.25              | SMERA B-/Stable (Assigned) |
| Term Loan       | 0.15              | SMERA B-/Stable (Assigned) |
| SME Credit Plus | 0.25              | SMERA B-/Stable (Assigned) |
| Bank Guarantee  | 1.10              | 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**) on the Rs.7.75 crore bank facilities of S.M. Engineering Works (SMEW). The outlook is '**Stable**'. The ratings are constrained by the weak financial risk profile, small scale of operations and highly fragmented and competitive industry. However, the ratings draw support from the extensive experience of the management in the same line of business.

The firm has small scale of operations marked by revenue of Rs.5.67 crore in FY2014-15 as compared to Rs.1.42 crore a year earlier. The firm has net worth of Rs.3.00 crore in FY2014-15 as compared to Rs.1.38 crore in FY2013-14. The gearing stood at 1.82 times for FY2014-15 as compared to 1.69 a year earlier. The interest coverage ratio stood at 1.75 times for FY2014-15 as against 1.98 times in FY2013-14. Furthermore, the debtor days and creditor days are on the higher side at 328 days and 104 days respectively. SMEW operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers. However, the ratings draw support from the extensive experience of over two decades of the partners in the same line of business.

#### **Outlook-Stable**

SMERA believes that SMEW will maintain a stable outlook in the medium term on the back of established operations and long standing experience of the promoter. The outlook may be revised to 'Positive' in case of improvement in operations, profitability and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile.

#### **Rating Sensitivity Factors**

- Scaling up of operations while improving profit margins
- Improvement in the working capital cycle.

#### **Criteria applied to arrive at the rating:**

- Manufacturing Entities

### About the Firm

SMEW, established in 2006, is a partnership firm engaged in the fabrication and manufacturing of boilers. The firm is headed by partners, Mr. M. Sekar and Mr. V. Shanmugam. Mr. Sekar, the Managing partner, has an experience of over two decades in a similar line of business.

For FY2014–15, the firm reported profit after tax (PAT) of Rs.0.18 crore on operating income of Rs.5.67 crore, as compared with profit after tax (PAT) of Rs.0.08 crore on operating income of Rs.1.42 crore in FY2013–14. The net worth stood at Rs.3.00 crore as on March 31, 2015 against Rs.1.38 crore a year earlier.

### Contacts:

| Analytical  | Business Development   |
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### ABOUT SMERA

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