

P.S.S. Jayam & Company: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	3.00	SMERA B/Stable (Assigned)
Letter of Credit	3.00	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 P.S.S. Jayam & Company (PSS). The outlook is **'Stable'**.

The rating is constrained by the firm's moderate scale of operations and below average financial risk profile marked by low net worth, high gearing and moderate coverage indicators. The rating also factors in the working capital intensive nature of business. However, the rating derives comfort from the experienced management.

PSS established by Mr. Stanley Samraj in 2000 is engaged in the trading of steel and cement. The firm's scale of operations is moderate marked by operating income of Rs.14.34 crore in FY2016 (Provisional). The financial risk profile is below average marked by low net worth of Rs.0.90 crore and aggressive gearing (Debt-equity ratio) of 8.84 times. The interest coverage ratio (ICR) stood at 1.40 times and debt service coverage ratio (DSCR) at 1.40 times in FY2016 (Provisional). The working capital intensive nature of business is marked by high gross current asset days of 219 in FY2016 (Provisional) due to high debtor days of 164 in FY2016 (Provisional).

However, the rating derives comfort from the experience of Mr. Stanley Samraj of over 15 years in construction material business.

Outlook: Stable

SMERA believes PSS will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the company's financial risk profile.

Rating Sensitivity Factors

- Improvement in the scale of operations and profitability
- Improvement in the capital structure
- Efficient working capital management

Criteria applied to arrive at the rating:

- Trading entities

About the Firm

PSS, established in 2000 by Mr. Stanley Samraj is engaged in the trading of steel and cement at Tuticorin, Tamil Nadu.

For FY2015-16 (Provisional), the firm reported profit after tax (PAT) of Rs.0.15 crore on operating income of Rs.14.34 crore, as compared with PAT of Rs.0.13 crore on operating income of Rs.10.47 crore in FY2014-15.

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ABOUT SMERA

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