

December 14, 2015

Facilities	Amount (Rs. Crore)	Ratings
Proposed Cash Credit	7.50	SMERA B+/Stable (Assigned)
Proposed Term Loan	0.26	SMERA B+/Stable (Assigned)
Proposed Bank Guarantee	1.50	SMERA A4 (Assigned)

SMERA has assigned a long term rating of '**SMERA B+**' (**read as SMERA B plus**) and a short term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.9.26 crore bank facilities of Sri Prasanna Metals and Alloys (SPMA). The outlook is '**Stable**'.

The ratings are constrained by the moderate scale of operations and susceptibility of profit margins to volatility in raw material prices. The ratings are also constrained by the low net worth and working capital intensive nature of operations. However, the ratings draw comfort from the firm's experienced promoters and established relationships with customers.

Outlook: Stable

SMERA believes SPMA will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while improving its capital structure. Conversely, the outlook may be revised to 'Negative' if the firm registers lower-than-expected growth in revenues and profitability, deterioration in the financial risk profile or higher than expected working capital requirements.

Rating Sensitivity Factors

- Increase in scale of operation with increase in profitability
- Efficient working capital management

About the Firm

SPMA, established in 2004, is a Chennai-based partnership firm engaged in the fabrication of structural steel components. The firm is promoted by Mr. R. Manivannan, Mr. Muruganandam and Mr. P. S. Veeramani, Partners, with experience of over 10 years in the industry.

SPMA reported profit after tax (PAT) of Rs.0.67 crore on operating income of Rs.23.16 crore for FY2014-15, as compared with PAT of Rs.0.63 crore on operating income of Rs.14.07 crore in

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FY2013-14. The firm's net worth stood at Rs.5.71 crore as on March 31, 2015, as compared with Rs.5.31 crore a year earlier.

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