

Press Release

Smartgen Infra Private Limited (SIPL)

09 February, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.19.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.19.00 crore bank facilities of Smartgen Infra Private Limited (SIPL). The outlook is '**Stable**'.

SIPL, established in 2013, is engaged in the trading of coal.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The promoters of the company, Mr Murali Barathwaj and S Ranjith Reddy have experience of around a decade in the coal industry.

Strong financial risk profile: The strong financial risk profile of the company is marked by low gearing, healthy net worth and strong debt protection metrics. The debt equity stands at 0.66 times. The company has high interest coverage ratio of 9.24 times in FY2016. The Net Cash Accruals to Total Debt (NCA/TD) has been 0.26 times in FY2016 and the networth is healthy at Rs.14.09 crore in FY2016.

Weaknesses:

Working capital intensive operations: The operations are working capital intensive marked by high Gross Current Asset days of 237 in FY2016. The debtor and creditor days are high at 208 and 227 respectively in FY2016.

Susceptibility of margins to fluctuations in exchange rates: The company imports coal from countries including Australia, Indonesia, South Africa. As a result the sales and profit margins remain susceptible to fluctuations in foreign exchange rates.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that SIPL will maintain a stable outlook over the medium term owing to the promoters' extensive experience in the coal industry. The outlook may be revised to 'Positive' if SIPL achieves more than envisaged sales and profitability while achieving improvement in margins. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the envisaged growth in revenue or improvement in margins.

About the Rated Entity

The Telangana-based SIPL, established in 2013 is engaged in the trading of coal.

For FY2015-16, the company reported profit after tax (PAT) of Rs.1.92 crore on operating income of Rs.157.70 crore as compared to PAT of Rs.2.15 crore on total operating income of Rs.219.21 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	3.00	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Letter of Credit	ST	16.00	SMERA A4+ (Assigned)	-	-	-	-	-	-

*Annexure - Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	3.00	SMERA BB-/Stable (Assigned)
Letter of Credit	N.A	N.A	N.A	16.00	SMERA A4+(Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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