

Press Release

20 March, 2017

Sri Lakshmi Ganapathi Engineering Works

Rating Assigned

Total Bank Facilities Rated *	Rs. 9.00 Cr.
Long Term Rating	SMERA BB- / Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 9.00 crore bank facilities of Sri Lakshmi Ganapathi Engineering Works. The outlook is '**Stable**'.

Sri Lakshmi Ganapathi Engineering Works (SLGEW) was established in 1977 by Mr. K. Subramanyam. The firm is engaged in the manufacture of domestic and agricultural pumps with installed capacity of 4000000 pump sets per annum. The manufacturing facility is located at Guntur district, Andhra Pradesh.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

SLGEW has been in operation since 1977. The proprietor, Mr. K. Subramanyam possesses experience of over four decades in the electrical industry.

- **Comfortable financial risk profile**

The financial risk profile is marked by modest net worth of Rs. 8.99 cr in FY2016, moderate gearing of 1.71 times and comfortable interest coverage ratio at 2.40 times. The debt service coverage ratio stood at 1.70 times in FY2016. The NCA/TD stood at 0.17 times in FY2016.

- **Healthy profit margin**

SLGEW's operating profit margin has been comfortable at 13.03 per cent in FY2016. It registered a decline from 14.17 per cent in FY2015 mainly due to increase in power cost but is still comfortable. The net profit margin has been moderate at 1.94 per cent in FY2016 as against 1.97 per cent in FY2015.

Weaknesses

- **Moderate scale of operations**

In spite of long track record of operations, the revenue stood at a moderate Rs.33.29 cr in FY2016 against Rs. 31.91 crore in FY2015. The firm earned Rs.28.24 cr in the current year.

- **Working capital intensive operations**

The operations are working capital intensive marked by high GCA days of 109 in FY2016, a decline from 111 days in FY2015. This is mainly on account of high inventory days of 62 in FY2016 as compared to 94 in FY2015.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SLGEW.

Outlook: Stable

SMERA believes that SLGEW will maintain a stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues or the financial risk profile deteriorates.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported profit after tax (PAT) of Rs 0.65 cr on total operating income of Rs.33.29 cr as compared with PAT of Rs.0.63 cr on total operating income of Rs.31.91 cr in FY2014-15.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

#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	Not Applicable	Not Applicable	Not Applicable	6.40	SMERA BB- / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.60	SMERA BB-/Stable

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ABOUT SMERA

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