

Press Release

S Srinivasan (SS)

March 11, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.2.40 Cr
Long Term Rating	SMERA B/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B**' (**read as SMERA B**) on the above mentioned bank facilities of S. Srinivasan (SS). The outlook is '**Stable**'.

SS is engaged in the trading of paddy, rice and bran.

List of key rating drivers and their detailed description

Strengths:

Established track record of operations and experienced management: SS was established in 1983 by Mr. S. Srinivasan who possesses over 30 years of experience in the agro products industry.

Efficient working capital management: The firm has effective working capital management marked by gross current assets of 50 days supported by inventory of 48 days and debtor days of 2 for FY2015-16. In FY2014-15, the gross current assets stood at 48 days with 48 days of inventory.

Weaknesses:

Below average financial risk profile: SS has below average financial risk profile marked by high gearing of 4.57 times as on March 31, 2016 as compared to 4.68 times as on March 31, 2015. The networth of the firm stood at Rs.0.44 cr as on March 31, 2016 as compared to Rs.0.38 cr as on March 31, 2015. The interest coverage ratio (ICR) has been moderate at 1.33 times in FY2015-16 as against 1.34 times in FY2014-15.

Small scale of operations: The scale of operations of the firm is small as net sales stood at Rs. 25.30 cr in FY2015-16 as compared to Rs.19.58 cr in FY2014-15.

Highly fragmented and competitive industry: The firm is exposed to intense competition in the agricultural industry owing to low entry barriers.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of S Srinivasan to arrive at the rating.

Applicable Criteria

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

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook owing to the management's extensive experience in the agro products industry and effective working capital management. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving its margins. Conversely, the outlook may be revised to 'Negative' in case of significant decline in capital structure or deterioration of the financial risk profile.

About the Rated Entity

SS, a Tamil Nadu-based proprietary concern was established in 1983 by Mr. S. Srinivasan. The firm is engaged in the trading of paddy, rice and bran.

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.10 cr on operating income of Rs.25.30 cr as against PAT of Rs.0.10 cr on operating income of Rs.19.58 cr in the previous year.

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	2.40	SMERA B/Stable (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	2.40	SMERA B/Stable (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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