

Press Release

S R Overseas (Panipat)

July 13, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 8.76 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 8.76 crore bank facilities of S R Overseas (Panipat). The outlook is '**Stable**'.

S R Overseas, established in 2014 is a Panipat-based partnership firm promoted by Mr. Balraj Singh and Mr. Vijender Singh. The firm manufactures blankets and has an installed capacity of 1.00 lakh blankets per month. The firm procures raw material from Haryana, Punjab, Uttar Pradesh and Delhi and sells its finished products in northern India.

Key Rating Drivers

Strengths

- **Experienced management**

The partners, Mr. Balraj Singh and Mr. Vijendra Singh possess experience of around a decade in the textile industry. The partners were engaged in the trading of blankets for around six years before venturing into manufacturing.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by moderate net worth of Rs.5.04 crore as on 31 March, 2016 compared to Rs.3.52 crore as on 31 March, 2015. The net worth includes unsecured loan of Rs.2.15 crore from promoters and is subordinated to bank debt. Hence SMERA has treated the same as quasi equity. The interest coverage of the firm stood at 1.98 times in FY2016 as against 2.00 times in the previous year. The net cash accrual to total debt (NCA/TD) stood at 0.18 times in FY2016 compared to 0.07 times in FY2015. The debt service coverage ratio (DSCR) stood at 1.62 times in FY2016 as against 2.00 times in FY2015. Further, the gearing of the firm has been moderate at 1.42 times as on 31 March, 2016 compared to 1.86 times as on 31 March, 2015. This is on account of moderate net worth of Rs.5.04 crore as against total debt of Rs.7.18 crore in FY2015-16. The total debt includes term loan of Rs.4.16 crore and working capital facility of Rs.3.01 crore. The firm achieved revenue of Rs. ~21.00 crore in FY2016-17 (Provisional).

Weaknesses

- **Short track record of operations**

SRO was established in 2014 and has short track record of operations.

- **Intense competition**

The firm operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm.

Outlook: Stable

SMERA believes that S R Overseas (Panipat) firm will maintain a stable outlook in the medium term on the back of its experienced management. The outlook may be revised to 'Positive' if the firm achieves higher than expected growth in revenues and profitability or improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capital expenditure.

About the Rated Entity - Key Financials

For FY2016, the firm reported Profit after Tax (PAT) of Rs.0.14 crore on operating income of Rs.24.87 crore compared to PAT of Rs.0.05 crore on operating income of Rs.8.52 crore for FY2015. The net worth stood at Rs.5.04 crore in FY2016 as against Rs.3.52 crore last year. The net worth of Rs.5.04 crore in FY2016 includes quasi equity of Rs.2.15 crore.

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.90	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.30	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.56	SMERA BB- / Stable

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ABOUT SMERA

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