

Press Release

Srinithi Enterprises Private Limited

November 29, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE BB**) on the Rs. 12.00 crore bank facilities of Srinithi Enterprises Private Limited. The outlook is '**Stable**'.

Srinithi, established in 2009, is based out of Chennai Tamil Nadu. The company is engaged in trading of milk and milk products such as butter ghee and Skimmed milk powders. The company is a closely family held business promoted by Mr. Dandapani who has more than 3 decades of experience in the same business.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of Srinithi to arrive at the rating.

Key Rating Drivers

Strengths

- **Healthy working capital cycle:**

Working capital cycle of Srinithi is healthy which stood at 10 days in FY18 as against 11 days in FY17. The company has good inventory management with inventory days stood at 9 in FY18 and debtors days remains healthy at 12 days in FY18.

- **Established relationship with suppliers and customers:**

Srinithi has been in operations for nearly a decade and the company has established relationship with suppliers and customer. The company majorly caters to demand from both organised and unorganised player, majorly to northern states of India such as Uttar Pradesh, Uttarakhand, Haryana and Maharashtra. The company majorly procures raw materials from State Co-operative Societies on bulk orders from Tamil Nadu, Karnataka and Andhra Pradesh.

Weaknesses

- **Thin profitability and intensely competitive industry:**

Srinithi operates in thinly profitable industry due to trading nature of the business and intensely competitive industry with number of organized and un-organized players. PAT margin stood constant at 0.46 percent in FY18. Due to highly fragmented industry limits the scope for margin expansion going forward.

Outlook: Stable

ACUITE believes the outlook on Srinithi rated facilities will remain stable over the medium term on account of its healthy working capital cycle and healthy relationship with suppliers and customers. The outlook may be revised to 'Positive' if there is improvement in profitability while increasing scale of operation increases. Conversely the outlook may be revised to 'Negative' if deterioration in profitability and scale of operations.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	305.16	415.76	399.29
EBITDA	Rs. Cr.	3.80	4.28	3.87
PAT	Rs. Cr.	1.41	1.91	1.37
EBITDA Margin	(%)	1.24	1.03	0.97
PAT Margin	(%)	0.46	0.46	0.34
ROCE	(%)	19.55	28.01	31.60
Total Debt/Tangible Net Worth	Times	1.61	1.55	1.74
PBDIT/Interest	Times	2.50	3.22	3.14
Total Debt/PBDIT	Times	3.43	2.43	2.16
Gross Current Assets (Days)	Days	37	21	14

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	9.35	ACUITE BB / Stable
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.65	ACUITE BB / Stable

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About Acuité Ratings & Research:

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