

May 13, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit *	28.50	SMERA BBB/Stable (Suspension Revoked; Rating Assigned)
Term Loan-I	4.25	SMERA BBB/Stable (Suspension Revoked; Rating Assigned)
Term Loan - II	4.20	SMERA BBB/Stable (Suspension Revoked; Rating Assigned)
Bank Guarantee	26.00	SMERA A3+ (Suspension Revoked; Rating Assigned)
ILC/FLC **	24.00	SMERA A3+ (Suspension Revoked; Rating Assigned)
Specific Bank Guarantee	3.00	SMERA A3+ (Rating Assigned)
Forward Contract	2.00	SMERA A3+ (Rating Assigned)

* PC/FBP/FBD of Rs. 2.00 crore and ILC/FLC of Rs.11.00 crore sub-limit within cash credit

** ILC/FLC-Inland Letter of Credit (ILC) /Foreign Letter of Credit (FLC)

SMERA has revoked the suspension of its rating on the long-term and short-term bank facilities of Siechem Technologies Private Limited (STPL), and has assigned long-term rating of '**SMERA BBB**' (**read as SMERA triple B**) and short-term rating of '**SMERA A3+**' (**read as SMERA A three plus**) to the Rs. 91.95 crore bank facilities of STPL. The outlook is '**Stable**'.

SMERA has suspended the rating on October 31, 2014, as the company had not provided the necessary information required for a rating view. STPL has now shared the requisite information, enabling SMERA to assign a rating to the company's bank facilities.

The ratings derive strength from the promoter's extensive industry experience, healthy revenue growth and financial risk profile. The ratings also draw comfort from STPL's reputed customer base and healthy relations with customers and suppliers. However, the ratings are weakened by the working capital intensive operations, tender based business and susceptibility of profit margins to volatility in raw material prices. The ratings also factor in the intense competition in the wires and cables industry.

STPL was initially established as a proprietorship firm in 1982 by Mr. P. Damodaren (Managing Director of STPL) who has more than three decades of experience in the wires and cables industry.

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The company registered operating income of Rs.250.75 crore (Provisional) for FY2015-2016 as against Rs.140.43 crore in the previous year. In FY2013-14, the operating income stood at Rs.90.07 crore. Further, the company reported year-on-year revenue growth of ~79 per cent and ~56 per cent in FY2015-16 and FY2014-15 respectively.

STPL's financial risk profile has been healthy marked by comfortable net worth of about ~Rs. 51.98 crore (Provisional) outstanding as on March 31, 2016 as against Rs.29.07 crore a year earlier. The coverage indicators are strong marked by healthy interest coverage ratio (ICR) of 6.22 times for FY2015-16 (Provisional) as against ICR of 2.57 times a year earlier. The company reported healthy net cash accruals of ~Rs. 24.96 crore for FY2015-16 (Provisional) as against Rs.8.33 crore a year earlier. The operations of the company are working capital intensive marked by gross current asset days of ~141 days for FY2015-16 as compared to 207 days for FY2014-15. STPL has a successful tender execution track record.

However, the ratings factor in risks inherent in the tender based business and impact of changes in railways policies on procurements. The ratings also note that the profit margins are susceptible to volatility in raw material prices (viz. copper, aluminium, plastic among others).

The company commenced commercial operations of its Tamil Nadu-based 5 Megawatt AC (MW) solar power plant on March 28, 2016. The total cost for the same was ~Rs. 30 crore which was entirely funded through internal accruals. Further, the company has entered into power purchase agreement with Tamil Nadu Generation and Distribution Corporation Ltd (TANGEDCO) for selling solar energy generated from its solar power plant for upcoming 25 years.

Rating Sensitivity Factors

- Sustenance of existing revenues and profit margins
- Efficient working capital management
- Changes in prices of key raw materials
- Future capex and its funding mix thereof

Outlook: Stable

SMERA believes that STPL will continue to benefit over the medium term from its promoters extensive industry experience and healthy relations with customers and suppliers. The outlook may be revised to 'Positive' if STPL generates substantial and sustainable revenues resulting in further strengthening of its existing business risk profile. Conversely, the outlook may be revised to 'Negative' if the company reports adverse financial results or if the working capital cycle further elongates resulting in stretched liquidity position.

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About the Company

Incorporated in 1994, the Tamil Nadu-based STPL was promoted by Mr. P. Damodaren. The company is engaged in the manufacture of specialty wires and cables and caters to various industries including the railways, solar, marine, automotive aerospace, appliance among others. The manufacturing facilities are located at Pondicherry, Tamil Nadu with installed capacity of 2 million meters of wires & cable a day with over 10 million part numbers.

The day-to-day operations of STPL are presently managed by Mr. P. Damodaren, Managing Director along with Mr. G. M. Arunkumar, Executive Director.

For FY2015-16, (refers to financial year, April 1 to March 31) STPL reported PAT (profit after tax) of Rs.21.26 crore (Provisional) on operating income of Rs.250.75 crore against PAT of Rs.6.40 crore on operating income of Rs.140.43 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Suman M National Sales Head – Emerging Corporate Group Tel No: 022 67141151 Cell: 9892306888 Email: suman.m@smera.in	Parimal Thakker Associate Vice President – Corporate Ratings Tel: +91-011-4973 1312 Email: parimal.thakker@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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