



SMERA RATINGS LIMITED

General Pumps Private Limited (GPPL)

**Rating
Rationale****June 12, 2014**

Facility	Amount (Rs. Crore)	Rating
Cash Credit	5.00	SMERA B/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B' (read as SMERA Single B)** to the Rs.5.00 crore bank facilities of General Pumps Private Limited (GPPL). The outlook is '**Stable**'. The rating is constrained by the company's modest scale of operations and profit margins supported by non-operating income in FY 2012-13. The rating is also constrained by the company's weak financial risk profile and large investments in non-operating assets. However, the rating is supported by the company's moderate working capital cycle and experienced management.

GPPL, incorporated in 1999, is a Chennai-based authorised dealer of Bosch power tools and accessories. GPPL has modest-scale of operations reflected in total operating income of Rs.21.98 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company operates in a highly competitive and fragmented power tool trading industry. GPPL's net profits margin stood at 1.67 per cent in FY2012-13. Moreover, the company's net profit of Rs. 0.37 crore (in FY2012-13) is largely supported by non-operating income of Rs.0.20 crore.

GPPL's weak financial risk profile is marked by high leverage of 3.99 times as on March 31, 2013 and low interest coverage ratio of 1.36 times in FY2012-13. Further, the company has substantial investments in non-operating assets, which stood at Rs.3.68 crore as on March 31, 2013 (accounting for ~329 per cent of the company's net worth).

GPPL working capital cycle stood at 71 days in FY2012-13. The company's average utilisation of working capital limit is moderate at ~83 per cent during April 2013 to January 2014.

GPPL benefits from its experienced management. Mr. R.P. Srinivasan, managing director of GPPL, has around two decades of experience in the auto components industry.

Outlook: Stable

SMERA believes the outlook on GPPL's rated facilities will remain stable over the medium term on the back of the company's experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues and profit margins while achieving comfortable capital structure. Conversely, the outlook maybe revised to 'Negative' in case of deterioration in the company's capital structure, or in case of steep decline in the company's revenues and profit margins. Reduction of investment in non-operating assets is a key rating sensitivity.

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Rationale*

About the company

GPPL, incorporated in 1999, is a Chennai-based promoted by Mr. R. P. Srinivasan and Mr. R. N. Prakasam. The overall operations of the company are currently managed by Mr. R. P. Srinivasan.

GPPL is an authorized dealer of Bosch power tools and accessories. From August 2013, GPPL has also started trading of power tools (construction equipments) manufactured by Suguna Shatal Equipments Private Limited.

GPPL's office and showroom is located in Parry, Chennai.

For FY2012-13, GPPL reported PAT of Rs.0.37 crore on operating income of Rs.21.98 crore, as compared with PAT of Rs.0.16 crore on operating income of Rs.19.05 crore for FY2011-12. The company's net worth stood at Rs.1.12 crore as on March 31, 2013, as compared with Rs.0.75 crore a year earlier.

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