



March 3, 2010

## ICRA assigns LBBB- and A3 ratings to bank facilities of SRS Limited

ICRA has assigned rating of LBBB- (pronounced L triple B minus) to the Rs 788.5 million term loans and Rs. 750 million fund based limits (cash credit) of SRS Limited (SRS)<sup>†</sup>. The outlook for the rating is stable. ICRA has also assigned an A3 rating (pronounced A three) to Rs. 200.0 million of fund based limits (letter of credit) of SRS<sup>†</sup>.

The rating takes into account the promoter's established position and experience in the industry; diversified portfolio with presence in jewellery, wholesale trading, retailing, film exhibition and food & beverages segments and extensive experience of the management. The rating also takes into account the financial flexibility of the company as reflected by favourable gearing of 0.70 X as of March 31, 2009 and healthy cash accruals. The ratings are however constrained by the transition in the business of the company with focus shifting from mall, multiplex & retail to trading; limited track record in the jewellery business which is currently the prime revenue driver of the company as well as the stressed cash flow position of the company on account of low profitability coupled with increased working capital requirement of the trading business. ICRA notes that the rapid expansion in the trading business and the proposed expansion plan for the retail and multiplex network would require considerable funding; however the currently healthy capital structure and proposed equity infusion through public offer provide comfort to some extent.

### Company Profile

SRS Limited is engaged in wholesale trading, jewellery trading, value retailing, development and management of multiplexes and food & beverages / restaurants. The company was incorporated as SRS Commercial Company Limited in August 2000 and the name was changed to SRS Entertainment Limited on January 25, 2005. Subsequently, the company was renamed SRS Limited in FY09. Based out of NCR, SRS is a part of the SRS group having an interest in diverse range of sectors like real estate, financing, trading, retailing and entertainment.

In the financial year ending March 2009, the company reported an operating income of Rs. 5.0 billion with a net profit of Rs. 53.3 million as compared to an operating income of Rs. 1.7 billion and net profit of Rs. 111.6 million last year.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

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