

Srinivasa Sales and Service Private Limited

Instrument	Amount in Rs crore	Rating Action
Fund Based Limits	16.50 (enhanced from Rs. 8.00 crore)	[ICRA]BB-(Stable) reaffirmed
Non Fund Based Limits	6.30	[ICRA]A4 reaffirmed
Unallocated Limits	0.31	[ICRA]BB-(Stable)/[ICRA]A4 assigned

ICRA has reaffirmed the long-term rating of [ICRA]BB- (pronounced ICRA double B minus) assigned to the Rs. 16.50¹ crore (enhanced from Rs. 8.00 crore) fund based limits and short-term rating of [ICRA]A4 (pronounced ICRA A four) assigned to the Rs. 6.30 crore non fund based limits of Srinivasa Sales and Service Private Limited (SSSPL)¹. ICRA has also assigned the ratings of [ICRA]BB-/ [ICRA]A4 to Rs. 0.31 crore unallocated limits of SSSPL. The long term rating carries a Stable outlook.

The reaffirmation of ratings continues to be constrained by the tight liquidity profile of the company as reflected by more than 90% utilisation of working capital limits in the past 15 months owing to high inventory levels required for the dealership business; deteriorated capital structure as reflected by increase in gearing to 2.59 times as on March 31, 2016 from 1.80 times as on March 31, 2015 owing to purchase of office building. The ratings are further constrained by the high customer concentration risk with single customer accounting for ~34% of the total sales for FY2016; thin operating profitability of 3.5-4.5% which is inherent to dealership nature of business; and vulnerability of the company's sales to slowdown in economic growth and thus the investment plans of its large sized customers.

The assigned ratings, however, positively factor in more than three decades of promoter's experience in automobile dealership business through group concerns; and healthy growth in revenues over the past 2 years from Rs 86.65 crore in FY2014 to Rs 106.53 crore in FY2016 owing to higher sales of new engines. The ratings also consider the company's presence as single authorized dealer for products of Cummins India Ltd. with widespread network of 22 service centres across 18 districts of Telangana and Andhra Pradesh (except Rayalaseema region).

Going forward, the ability of the company to increase scale of operations, profitability levels and managing its working capital requirements effectively remain the key credit rating drivers.

Company Profile

Srinivasa Sales and Service Private Limited (SSSPL) was established in the year 2009 and is an authorized sales and service dealer for Cummins India Limited in Telangana and Andhra Pradesh (except Rayalaseema region). The company has registered office in Vijayawada and two branches in Hyderabad and Vishakhapatnam. The company primarily deals in sales of New Engines, Recon Engines, Spares Parts, Valvoline Cummins Oils and Batteries manufactured by Cummins India Limited.

Recent Results

As per the provisional numbers for FY2016, the company reported profit after tax of Rs 1.69 crore on a turnover of Rs 106.53 crore as against profit after tax of Rs 0.96 crore on a turnover of Rs 94.25 crore during FY2015.

June 2016

¹ 100 lakh = 1 crore = 10 million

[†]For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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