

Srinivasa Sales And Service Private Limited

March 26, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	13.00	CARE BB+; Stable	Reaffirmed; Outlook revised from Positive
Short-term bank facilities	6.30	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Srinivasa Sales and Service Private Limited (SSSPL) continue to remain constrained by its small scale of operations, working capital intensive business, elongated collection period, and product and supplier concentration risk. However, ratings derive strength from being the sole authorised dealer of Cummins India Ltd, improved operating income in FY24 (refers to April 01 to March 31), and promoters' extensive industry experience.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in total operating income (TOI) while maintaining profit before interest, lease rentals, depreciation and taxation (PBILDT) margins of ~4% on a sustained basis.
- Total debt to gross cash accruals (TD/GCA) to be maintained to and below 3x.

Negative factors

- Continued elongation in the operating cycle of the firm beyond 100 days.
- Any increase in bank borrowings leading to moderation of capital structure with overall gearing deteriorating beyond 1.5x, in future.

Analytical approach: Standalone

Outlook: Stable

The outlook has been revised from 'Positive' to 'Stable' considering lower-than-envisaged cash accruals due to decline in profitability amidst raw material price volatility.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations

Although SSSPL has a track record of over two decades, the scale of operations continues to remain small. Company's total operating income (TOI) rose by 12% to ₹171.86 crore in FY24 from ₹153.52 crore in FY23, due to increased orders and service contracts. However, due to the trading nature of its business, the company has low margins and limited bargaining power, especially with its principal, Cummins, and government contracts.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

The PBILDT margin dropped to 3.09% in FY24 from 5.30% in FY23, due to higher subcontract and operating expenses and the profit after tax (PAT) margin also remained low at 1.28%. The company reported non-operating income of ₹5.22 crore from the sale of fixed assets in FY24.

Working capital intensive nature of business

The company operates in a working capital intensive business where inventory management is crucial. The average inventory period of the company stood comfortable at 39 days in FY24 (41 days in FY23). The average collection period lies within the range of 57-63 days in FY22-24. Around 65% of the debtors are less than six months, and majority of the debtors of over six months are from government entities, including SCCL, NALCO, South Eastern Railway, and East Coast Railway among others. The company is allowed a credit period 35-45 days for the procurement of engines and spare parts from Cummins resulting in operating cycle of 63-66 days in FY22-24. The maximum working capital utilisation levels of the company remained high at 72.99% in the last 12 months ended February 2025.

Client concentration risk

Despite the fact that SSSPL has a diversified, reputed, and established customer base, the company is exposed to client concentration risk. The top five clients contributed ~21% of the total revenue in FY24 against 22% in FY23.

Key strengths**Experienced promoters**

Incorporated in 2009, SSSPL has been promoted by Subrahmanyam, who has over five decades of experience in the field of distribution of automobile products. He is ably supported by M. Venugopal, who has two decades of experience in the field of manufacturing rubber products and distributing diesel generators. The promoters and their family have been engaged in dealership for over 30 years with automobile and construction equipment among others, across Andhra Pradesh and Telangana through their group companies.

Sole authorised dealer of Cummins engines

The company is an authorised dealer for 'Cummins India Limited' for distribution of its engines, spare parts, and to provide after sales service. It is the sole authorised dealer across all districts of Telangana, Andhra Pradesh (except Rayalaseema region), and Orissa. The company has nearly 22 service centres or branches across these states. These branches are equipped with trained technicians, specialised tools, machineries, hardware, and software require for services of engines so that the service is rendered when and where required. The clientele of the company comprises reputed names such as Indian Navy, South Central Railways, Singareni Collieries, and East Coast Railways among others.

Moderate leverage and coverage indicators

The entity's overall gearing improved to 0.67x in FY24 from 0.88x in FY23. The total outside liabilities (TOL) to net worth ratio improved to 1.94x from 2.2x. Debt coverage indicators weakened, with PBILDT interest coverage falling to 2.66x and TD/GCA rising to 4.73x owing to lower GCA. CARE Ratings observes, despite this, debt coverage is expected to remain satisfactory due to low reliance on debt and anticipated profit improvements.

Liquidity: Stretched

Liquidity of SSSPL remained tight, though it has maintained comfortable current ratio, moderate quick ratio, while high utilisation of its working capital limits and healthy cash accruals against low debt repayments. While the current

ratio was at 1.49x, its quick ratio remained moderately comfortable at 0.88x as on March 31, 2024. Its bank limits of ₹10 crore were utilised at ~73% in last 12 months ended February 28, 2025. It maintains low level of inventory. The average inventory days in last two fiscal year(s) remained high at 40 days. Gross current asset days were moderately high at 119 days on an average basis. Operations are highly working capital intensive and net working capital as a percentage of capital employed was 71% as on January 31, 2025.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Compressors, pumps & diesel engines

SSSPL was incorporated in 2009 and is engaged in sales and service of products manufactured and marketed by 'Cummins India Limited'. SSSPL is the sole distributor of generators of Cummins India Limited for Andhra Pradesh, Odisha, and Telangana, and deals in engines, recon engines, spare parts, oils, and batteries. Apart from trading of the products, SSSPL also provides after sale services and maintenance contracts to CUMMIN'S clients across these regions.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25(UA)
Total operating income	153.40	171.86	163.23
PBILDT	8.13	5.32	5.18
PAT	2.44	2.19	2.17
Overall gearing (times)	0.88	0.67	N.A.
Interest coverage (times)	3.77	2.66	2.88

A: Audited UA: Unaudited; N.A: Not available Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.30	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	March 2026	0.70	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	6.30	CARE A4+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	0.70	CARE BB+; Stable	-	1)CARE BB+; Positive (31-Jan-24)	1)CARE BB+; Stable (23-Feb-23)	-
2	Fund-based - LT-Cash Credit	LT	12.30	CARE BB+; Stable	-	1)CARE BB+; Positive (31-Jan-24)	1)CARE BB+; Stable (23-Feb-23)	-
3	Non-fund-based - ST-Bank Guarantee	ST	6.30	CARE A4+	-	1)CARE A4+ (31-Jan-24)	1)CARE A4+ (23-Feb-23)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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