



SMERA RATINGS LIMITED

Samtech Machinery (Samtech)

*Rating
Rationale*

April 10, 2015

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

SMERA has assigned a rating of '**SMERA B+**' (read as **SMERA single B plus**) to the Rs.5.00 crore long-term (fund based) bank facility of Samtech Machinery (Samtech). The outlook is '**Stable**'. The rating is constrained by the firm's small scale of operations and working capital-intensive business. The rating is also constrained by the firm's stretched liquidity position and weak financial profile. However, the rating draws comfort from the firm's experienced management and established relations with customers and suppliers.

Samtech, established in 1999, is a New Delhi-based proprietorship firm engaged in trading of textile machinery. Samtech has small-scale operations marked by revenue of Rs.26.55 crore in FY2013-14 (refers to financial year, April 01 to March 31). The firm's operations are working capital-intensive with gross current assets (GCA) of 147 days, inventory holding period of 61 days and collection period of 81 days in FY2013-14. Samtech stretched liquidity position is reflected in high average utilisation (92 per cent) of cash credit limit during the six months ended February 2015.

The firm's weak financial profile is reflected in high leverage (total outside liabilities to tangible net worth ratio) of 2.66 times as on March 31, 2014. Samtech total debt of Rs.5.35 crore (as on March 31, 2014) includes subordinated unsecured loans of Rs.1.47 crore from related parties. SMERA has treated such unsecured loans as quasi-equity.

Samtech benefits from its experienced management. Mr. Sameer Kukreja, proprietor of Samtech, has 15 years of experience in the textile industry. The firm also benefits from its established relations with customers and suppliers.

Outlook: Stable

SMERA believes Samtech will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management and established association with customers and suppliers. The outlook may be revised to 'Positive' in case the firm registers strong growth in scale of operations while achieving sustained improvement in profit margins and working capital management. The outlook may be revised to 'Negative' in case of deterioration in the firm's capital structure, or in case of stretch in the firm's working capital cycle.

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About the firm

Samtech, established in 1999, is a New Delhi-based proprietorship firm engaged in trading of textile machinery for sewing, cutting, weaving and knitting applications.

For FY2013-14, Samtech reported profit after tax (PAT) of Rs.0.36 crore on operating income of Rs.26.55 crore, as compared with PAT of Rs.0.27 crore on operating income of Rs.25.28 crore in FY2012-13. The firm's net worth stood at Rs.1.54 crore as on March 31, 2014, as compared with Rs.1.38 crore a year earlier.

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