



SMERA RATINGS LIMITED

Spectron Engineers Private Limited (SEPL)

**Rating
Rationale****May 28, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA BB/Stable (Assigned)
Letter of Credit cum Bank Guarantee	9.00	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (read as **SMERA double B**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.14.00 crore bank facilities of Spectron Engineers Private Limited (SEPL). The outlook is '**Stable**'. The ratings are supported by the company's diversified operations, reputed clientele, comfortable financial risk profile and healthy profitability. The ratings are also supported by the company's experienced and qualified management. However, the ratings are constrained by the company's moderate-scale operations. The ratings are also constrained by the company's exposure to client concentration risk.

SEPL, incorporated in 1995, is a Mumbai-based company engaged in undertaking maintenance of oil and gas fields; fabrication of industrial-grade equipment; and trading of steel products. The company has established relations with several reputed customers such as Oil India Limited, ONGC, Crain India Limited and Godrej Industries Limited.

SEPL's comfortable financial risk profile is marked by low leverage of 0.57 times as on March 31, 2014 and strong interest coverage ratio of 3.06 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's healthy profitability is reflected in operating profit margin of 9.26 per cent and net profit margin of 8.91 per cent in FY2013-14. SEPL benefits from its experienced management. Mr. O. K. Varghese, managing director of SEPL, is a qualified engineer with around 30 years of experience in the oil and gas industry.

SEPL has moderate-scale operations marked by operating income of Rs.22.65 crore in FY2013-14. The company has registered revenue of Rs.25.43 crore (provisional) for FY2014-15. SEPL is exposed to customer concentration risk arising from high dependence on contracts awarded by a few clients in the oil and gas sector.

Outlook: Stable

SMERA believes SEPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-

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expected growth in revenues and profitability, or in case of deterioration in the company's net worth or liquidity position.

About the company

SEPL, incorporated in 1995, is a Mumbai-based company promoted by Mr. O. K. Varghese. SEPL undertakes maintenance of oil and gas fields; fabrication of industrial-grade equipment; and trading of steel products.

SEPL has factories in Ambernath (Maharashtra), and branches in Jodhpur (Rajasthan) and Assam.

For FY2013-14, SEPL reported profit after tax (PAT) of Rs.1.27 crore on operating income of Rs.22.65 crore, as compared with PAT of Rs.0.45 crore on operating income of Rs.16.90 crore in FY2012-13. The company registered PAT of Rs.1.14 crore (provisional) on operating income of Rs.25.43 crore (provisional) for FY2014-15. SEPL's net worth stood at Rs.5.87 crore as on March 31, 2014, as compared with Rs.4.60 crore a year earlier.

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