

Spectron Engineers Private Limited: Reaffirmed

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

SMERA has reaffirmed the ratings of '**SMERA BB**' (**read as SMERA double B**) and '**SMERA A4+**' (**read as SMERA A four plus**) on the above mentioned bank facilities of Spectron Engineers Private Limited (SEPL). The outlook is '**Stable**'.

The ratings continue to derive comfort from the improvement in revenues, healthy order book position and moderate financial risk profile. The ratings also draw support from the experienced management and long track record of operations. However, the ratings continue to be constrained by the working capital intensive business and exposure to client concentration risk.

Update

SEPL reported operating income of Rs.25.52 crore in FY2014-15 compared to Rs.22.65 crore in FY2013-14. The company has reported operating income of Rs.30.49 in FY2015-16 (Provisional). SEPL has healthy order book position with approximately Rs.102.00 crore worth orders in hand. The moderate financial risk profile is marked by gearing of 0.93 times as on 31 March, 2015. The coverage indicators have declined from 3.06 times in FY2014 to 2.62 times in FY2015.

SEPL's operations are working capital intensive. The gross assets days are 270 as on 31 March, 2015. Further, the average bank utilisation stands at 79 percent. The company is exposed to customer concentration risk since it caters largely to Oil India Limited, ONGC, Crain India Limited and British Gas.

Rating Sensitivity Factors

- Scaling up operations while maintaining margins
- Efficient working capital utilisation

Outlook-Stable

SMERA believes SEPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the company registers higher-than-expected growth in revenues and maintains its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile.

About the Company

SEPL, incorporated in 1995 by Mr. O.K. Varghese undertakes operation and maintenance of oil and gas fields, fabrication of industrial grade equipment among others. The registered office is located at Andheri (Mumbai) and the Erection and Maintenance facility at Ambernath, Maharashtra.

For FY2015-16, SEPL reported PAT (profit after tax) of Rs.0.84 crore (provisional) on operating income of Rs.30.49 crore (provisional) as against PAT of Rs.0.52 crore on operating income of Rs.25.52 crore in the previous year.

Rating History:

Date	Facilities	Amount (Rs.Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
28 May, 2015	Cash Credit	5.00	SMERA BB (Assigned)	-	Stable
	Letter of Credit cum Bank Guarantee	9.00	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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