

Shaker Coils Private Limited:Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Term Loan	0.45 (Decreased from Rs 2.70 crore)	SMERA B+/Stable (Reaffirmed)
Cash Credit	2.50	SMERA B+/Stable (Reaffirmed)
Long Term Facility (Proposed)	2.25	SMERA B+/Stable (Assigned)
Bank Guarantee	2.00*	SMERA A4(Reaffirmed)
Letter of Credit	2.00*	SMERA A4(Reaffirmed)

*Letter of Credit and Bank guarantee are Interchangeable limit to the extent of Rs.0.50 crore.

SMERA has reaffirmed the long term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.6.95 crore facilities and assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.2.25 crore bank facility of Shaker Coils Private Limited (SCPL). The outlook is '**Stable**'. The ratings continue to be constrained by the stretched working capital cycle and small scale of operations. The ratings continue to draw comfort from the extensive experience of the promoters in the electrical coils industry and moderate financial risk profile.

Update

SCPL reported marginally higher revenue of Rs.23.56 crore in FY2016 as compared to Rs.21.96 crore in FY2015. The operating margin increased marginally to 1.92 per cent in FY2016 as against 1.75 per cent in FY2015. The net profit margin improved to 2.43 per cent in FY2016 compared to loss of 1.22 per cent in FY2015.

The company's operations are working capital intensive marked by high inventory and debtor days with gross asset days in the range of 126-170 in the last three years. The debtor days are in the range of 45-70 and inventory in the range of 46-107 days in the last three years. Though the company has three decades of track record of operations, the revenue still is at a modest scale of Rs.23.56 crore in FY2016 and Rs.21.96 crore in FY2015.

The promoters, Mr. Nikunj Bagaria and Mr Nirmal Kumar Bagaria possess over three decades of experience in the manufacture of armature and stator coils used in the heavy engineering industry. The financial risk profile is average marked by moderate gearing, high interest coverage ratios, net cash accruals to total debt and average debt protection metrics. The gearing ratio has improved marginally from 1.50 times in FY2015 to 1.08 times in FY2016. The interest coverage has been 2.40 times in FY2016 compared to 1.87 times in FY2015. Moreover, the NCA/TD is at 0.18 times in FY2016. The networth is at Rs.4.85 crore in FY2016 compared to Rs.4.27 crore in FY2015.

Rating Sensitivity Factors

- Scaling up of operations and improvement in profit margins
- Extent of capex and its funding mix

Outlook-Stable

SMERA believes that SCPL will maintain a stable outlook owing to its experienced management, and long standing operational track record. The outlook may be revised to 'Positive' in case the company reports better than envisaged sales while maintaining profitability. Conversely, the outlook may be revised to 'Negative' if the company registers lower-than-expected revenues, profitability or deterioration in the financial risk profile and liquidity position.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

SCPL, established in 1989 is a Kolkata-based company engaged in the manufacture of armature and stator coils used in the heavy engineering industry. The company also undertakes rendering, repairing and rebuilding services for the Indian Railways, Tata Steel, ONGC, SAIL among others. The manufacturing facilities are located at West Bengal and the overall operations are managed by the Directors, Mr. Nikunj Bagaria and Mr. Nirmal Kumar Bagaria.

For FY2015-16, SCPL reported profit after tax (PAT) of Rs.0.57 crore on total operating income of Rs.23.56 crore, as compared with profit after tax (PAT) of Rs0.27 crore on total operating income of Rs.21.96 crore in FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
30 July, 2015	Term Loan	2.70	SMERA B+ (Assigned)	-	Stable
	Cash Credit	2.50	SMERA B+ (Assigned)	-	Stable
	Bank Guarantee	2.00*	-	SMERA A4 (Assigned)	-
	Letter of Credit	2.00*	-	SMERA A4 (Assigned)	-

**Letter of Credit and Bank guarantee are Interchangeable limit to the extent of Rs.0.35 crore.*

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ABOUT SMERA

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