

Press Release

SHANKER COILS PRIVATE LIMITED

12 March, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 9.20 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

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.9.20 crore bank facilities of SHANKER COILS PRIVATE LIMITED (SCPL). The outlook is '**Stable**'.

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 Indian Railways, Tata Steel, ONGC, SAIL among others. The manufacturing facilities are located at Budge Budge, West Bengal and the overall operations are managed by the Directors, Mr. Nikunj Bagaria and Nirmal Kumar Bagaria.

Key Rating Drivers

Strengths

- Experienced management and long track record operations**

The management is led by Mr. Nirmal Kumar Bagaria, Mr. Chandra Mohan Bagaria, Mr. Nikunj Bagaria and Mr. Swapan Mukherjee who possess more than three decades of experience in the engineering industry. The company was established in 1989.

- Above average financial risk profile**

The above average financial risk profile is marked by moderate networth, comfortable gearing and healthy debt protection metrics. The net worth stood moderate at Rs.5.42 crore in FY2017 as it increased from Rs.4.85 crore in FY2016, mainly on account of retention of current year profits. The gearing stood at a comfortable 0.86 times in FY2017, a decline from 1.08 times in FY2016. The Interest Coverage Ratio (ICR) stood healthy at 2.76 times in FY2017 compared to 2.40 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood comfortable at 1.28 times in FY2017 and 0.92 times in FY2016. The net cash accruals against total debt stood comfortable at 0.21times in FY2017 and 0.18 times in FY2016.

Weaknesses

- Working capital intensive operations**

The operations are working capital intensive as reflected in the Gross Current Assets (GCA) days of 123 in FY2016-17, compared to 130 in FY2015-16. The high GCA days emanate from the collection period and inventory days of 47 and 53 in FY2017. The operations are expected to remain capital intensive, as the company manufactures machined components and renders repairing and rebuilding services. This leads to a relatively high collection and inventory period. The company is also exposed to the inherent cyclical in the engineering industry.

- Moderate scale of operations**

SMERA Ratings Limited

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The scale of operations stood moderate at Rs.20.13 crore in FY2017 and Rs.23.56 crore in FY2016.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the company.

Outlook: Stable

SMERA believes SCPL will maintain a stable business risk profile in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improves its working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	20.13	23.56	21.96
EBITDA	Rs. Cr.	1.95	1.92	1.75
PAT	Rs. Cr.	0.57	0.57	0.27
EBITDA Margin	(%)	9.67	8.16	7.99
PAT Margin	(%)	2.84	2.43	1.22
ROCE	(%)	15.19	14.99	25.34
Total Debt/Tangible Net Worth	Times	0.86	1.08	1.50
PBDIT/Interest	Times	2.76	2.40	1.87
Total Debt/PBDIT	Times	2.34	2.63	3.59
Gross Current Assets (Days)	Days	123	130	150

Status of non-cooperation with previous CRA (if applicable)

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Nov-2016	Term Loan	Long Term	INR 0.45	SMERA B+ / Stable (Reaffirmed)
	Cash Credit	Long Term	INR 2.50	SMERA B+ / Stable (Reaffirmed)
	Proposed Long Term Facility	Long Term	INR 2.25	SMERA B+ / Stable (Reaffirmed)
	Bank Guarantee	Short	INR 2.00	SMERA A4

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		Term		(Reaffirmed)
	Letter of Credit	Short Term	INR 2.00	SMERA A4 (Reaffirmed)
30-Jul-2015	Term Loan	Long Term	INR 2.7	SMERA B+ / Stable (Assigned)
	Cash Credit	Long Term	INR 2.5	SMERA B+ / Stable (Assigned)
	Letter of Credit	Short Term	INR 2	SMERA A4 (Assigned)
	Bank Guarantee	Short Term	INR 2	SMERA A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	0.45	SMERA B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	2.25	SMERA B+ / Stable

Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Abhishek Dey Analyst - Rating Operations Tel: 033-66201208 abhishek.dey@smera.in	

ABOUT SMERA

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