

Shivani Locks Private Limited: Downgraded

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Term Loan	8.33	SMERA B/Stable (Downgraded from SMERA B+)
Cash Credit	15.00	SMERA B/Stable (Downgraded from SMERA B+)
Letter of Credit	2.00	SMERA A4 (Reaffirmed)
Proposed Long Term	7.67	SMERA B/Stable (Assigned)

SMERA has downgraded the long-term rating on the Rs.23.33 crore fund-based facility of Shivani Locks Private Limited (SLPL) to **'SMERA B' (read as SMERA B)** from **'SMERA B+' (read as SMERA B plus)** and reaffirmed the short-term rating on the Rs.2.00 crore non-fund facility to **'SMERA A4' (read as SMERA A four)**. SMERA has assigned the long-term rating of **'SMERA B' (read as SMERA B)** on the Rs.7.67 crore proposed bank facility. The outlook is **"Stable"**.

The rating downgrade reflects weak financial risk profile marked by significant losses of Rs.10.72 crore in FY2015-16 (provisional) as compared to losses of Rs.5.77 crore in FY2014-15. SMERA also notes that the company has negative net worth of Rs (-5.60) crore as on 31 March, 2016 as against Rs.4.50 crore in the previous year. The ratings are also constrained by the intense competition in the auto component industry. However, the ratings continue to be supported by the experienced management and healthy relationships with business partners.

Update

The gearing has been negative (debt-to-equity) of (-7.12) times as on March 2016 (provisional) against 9.08 times as on March 2015. The interest coverage is negative at (-0.15) times in FY2015-16 (provisional) against 0.59 times in FY2014-15. DSCR of the company is negative and stands at (-0.07) times in FY2015-16 (provisional) as compared to 0.36 times in FY2015.

Moreover, the company registered PAT margin of (-7.97) per cent in FY2015-16 (provisional) as against (-4.33) per cent in FY2014-15. SLPL operates in an intensely competitive segment of the auto component industry.

The promoters of SLPL, Mr. Naresh Kathuriya and Mr. Raj Kathuria, have extensive experience of around three decades in the manufacturing of latches. The company has established relations with suppliers and manufacturers and has a reputed client base. The client list includes Mahindra & Mahindra, Tata Motors, Ford India Private Limited among others.

Rating Sensitivity Factors

- Improvement in revenue and profitability profile
- Improving working capital cycle
- Diversified client base

Outlook-Stable

SMERA believes that SLPL will maintain a stable outlook over the medium term owing to the extensive experience of the promoters in the industry. The outlook may be revised to 'Positive' in case of improvement in profitability while maintaining revenue growth and efficient management of working capital. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, liquidity constraints and deterioration in capital structure.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

SLPL, incorporated in 1988, is a Delhi-based company promoted by Mr. Naresh Kathuriya and Mr. Raj Kathuria. The company is engaged in the manufacture of automotive locking systems and has a reputed clientele. The manufacturing facility is located at Faridabad.

For FY2015-16 (provisional), the company reported losses of Rs.10.72 crore on operating income of Rs.134.47 crore, as compared with losses of Rs.5.77 crore on operating income of Rs.133.38 crore in FY2014-15. The company achieved operating income of Rs.11.30 crore in FY2015-16 (provisional). The net worth stood at Rs.(-5.60) crore (included quasi equity of Rs.3.77 crore) as on March 31, 2016 (provisional) against Rs.4.50 crore (included quasi equity of Rs.3.15 crore) a year earlier.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
28 August, 2015	Term Loan	16.00	SMERA B+ (Assigned)	-	Stable
	Cash Credit	15.00	SMERA B+ (Assigned)	-	Stable
	Letter of Credit	2.00	-	SMERA A4 (Assigned)	-

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ABOUT SMERA

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