

Singla Motors Private Limited: Reaffirmed

| Facility | Amount (Rs. Crore) | Rating/Outlook |
|-------------|--------------------|------------------------------|
| Cash Credit | 15.00 | SMERA B+/Stable (Reaffirmed) |

SMERA has reaffirmed the rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.15.00 crore long term (fund based) facility of Singla Motors Private Limited (SMPL). The outlook continues to remain '**Stable**'. The rating continues to be constrained by the weak financial risk profile, working capital intensive operations and stretched liquidity. However, the aforementioned weaknesses are partially offset by the experienced management and healthy relations with customers and suppliers.

Update

SMPL manufactures submersible, monoblock pumps, stainless steel submersible motors among others. For FY2015-16 (refers to financial year, April 01 to March 31), SMPL registered net profit of Rs.0.14 crore on operating income of Rs.25.16 crore as against net profit of Rs.0.14 crore on operating income of Rs.26.82 crore in FY2014-15. The company has a weak financial risk profile evident from the high leverage (debt-to-equity ratio) of 4.00 times in FY2015-16 against 4.28 times in FY2014-15. The operations are working capital intensive with gross current assets (GCA) of 342 days, inventory holding period of 266 days and collection period of 94 days in FY2015-16. The liquidity is stretched evident from the high average utilisation (97 per cent) of cash credit limit during the seven months ended September 2016.

SMPL benefits from its experienced management. Mr. Virender Kumar, Director, has more than two decades of experience in the company's line of business. The company also benefits from its established relations with customers and suppliers.

Outlook: Stable

SMERA believes SMPL will maintain a stable outlook over the medium term. The company will continue to benefit from its experienced management and established association with customers and suppliers. The outlook may be revised to 'Positive' in case SMPL registers strong growth in scale of operations, improvement in the capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure, or if the working capital cycle is stretched.

Rating Sensitivity Factors:

- Sustainable improvement in operating income and profitability profile
- Efficient working capital management
- Large debt funded capital expansion

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

SMPL, incorporated in 2011, is a Haryana-based company that manufactures submersible, monoblock pumps, stainless steel submersible motors and AC induction motors used in the agricultural sector, household and industrial segments.

For FY2015-16, SMPL reported profit after tax (PAT) of Rs.0.14 crore on operating income of Rs.25.16 crore, as compared with PAT of Rs.0.14 crore on operating income of Rs.26.82 crore in the previous year. The company's net worth stood at Rs.3.86 crore in FY2015-16, as compared with Rs.3.71 crore a year earlier.

Rating History

| Date | Facility | Amount | Rating | | Outlook |
|------------------|-------------|-------------|------------------------|------------|---------|
| | | (Rs. Crore) | Long Term | Short Term | |
| 08 October, 2015 | Cash Credit | 15.00 | SMERA B+ (Assigned) | - | Stable |

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ABOUT SMERA

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