

Press Release

Snp Industries

June 01, 2017

Rating Upgraded

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA B-**' (read as **SMERA B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 6.00 crore bank facilities of Snp Industries. The outlook is '**Stable**'.

SNP Industries (SNPI), a partnership firm established in April, 2014 is engaged in the manufacturing of stainless steel utensils at Tamil Nadu. Promoted by Mr. Maharajan and family, the firm commenced operations in September 2014. The manufacturing facilities are located at Ambattur (Unit I), Chennai and Nanguneri (Unit II - SEZ), Tirunelveli, Tamil Nadu.

Key Rating Drivers

Strengths

- **Experienced management**

SNPI was established in 2014. The firm is led by Mr. N.R. Maharajan, the Managing Partner, who possesses more than three decades of experience in the steel industry.

Weaknesses

- **Small scale of operations**

SNPI operates on a small scale with operating income of Rs.0.75 crore in FY2016, an increase from Rs.0.23 crore in FY2015. Further, the firm booked revenue of Rs.0.96 crore in FY2016-17 (Provisional). As informed by the management, the firm is expected to commence commercial production in the new unit (Unit II - SEZ, Nanguneri, Tirunelveli) from June 2017. This is expected to increase production capacity to 6300 pieces per day from the current 4800 pieces per day. Further, the firm has received annual contract worth Rs. 3.00 crore from M/s Ghidini, Italy, which provides revenue visibility for the medium term.

- **Operating losses for the past two years**

The firm has incurred operating (EBITDA) loss of Rs.0.09 crore in FY2015 and Rs.0.26 crore in FY2016. Further, the firm reported net loss of Rs.0.36 crore for FY2015-16 compared to Rs.0.39 crore in FY2014-15.

- **Below average financial risk profile**

The financial risk profile is below average marked by low net worth of Rs.1.34 crore as on 31 March, 2016, an increase from Rs.0.12 crore as on 31 March, 2015. The gearing (Debt to Equity Ratio) improved to 1.60 times as on 31 March, 2016 against 7.16 times as on 31 March, 2015.

- **Working capital intensive operations**

The firm's operations are working capital intensive reflected in its Gross Current Assets (GCA) of

around 1080 days for FY2015-16, an increase from 876 days as on 31 March, 2015. This is on account of high inventory (work-in-process) of 408 days in FY2016 compared to 166 days in FY2015.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook will remain stable owing to the promoter's extensive experience in the industry. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while achieving higher profitability and increased net worth base. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability amidst intensifying competition in its area of operation or if the financial risk profile deteriorates owing to lower profitability along with higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, SNP Industries reported net loss of Rs. 0.36 crore on net operating income of Rs. 0.75 crore, as compared with net loss of Rs. 0.39 crore on operating income of Rs. 0.23 crore in the previous year. The net worth stood at Rs. 1.34 crore as on 31 March, 2016, as compared to Rs. 0.12 crore a year earlier.

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

None

Any other information

None

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>
- Complexity Level Of Financial Instruments - <https://www.smera.in/criteria-complexity-levels.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
30-Dec-2016	Term Loan I	Long Term	INR 0.5	SMERA D
	Term Loan II	Long Term	INR 1.8	SMERA D
	Packing Credit	Short Term	INR 0.5	SMERA D
	Foreign Bill Negotiation	Short Term	INR 1	SMERA D
	Foreign Letter of Credit	Short Term	INR 2	SMERA D
	Proposed Fund/Non Fund Based Facility	Long Term	INR 0.2	SMERA D

19-Oct-2015	Term Loan	Long Term	INR 0.5	SMERA B- / Stable
	Proposed Term Loan	Long Term	INR 2	SMERA B- / Stable
	Packing Credit	Short Term	INR 0.5	SMERA A4
	Letter of Credit	Short Term	INR 2	SMERA A4
	FBN	Short Term	INR 1	SMERA A4

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.80	SMERA B- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA B- / Stable
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Deep Majumder Analyst - Rating Operations Tel: 022-67141147 deep.majumder@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.*
