

Press Release

Sintech Precision Products Limited (SPPL)

21 February, 2018



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr. (Enhanced from Rs. 11.00 Cr.)
Long Term Rating	SMERA B+ /Outlook: Stable (Upgraded from SMERA C)
Short Term Rating	SMERA A4 (Upgraded from SMERA C)

**Refer annexure for details*

SMERA has upgraded the long term rating to '**SMERA B+**' (read as **SMERA B plus**) and short term rating to '**SMERA A4**' (read as **A four**) from '**SMERA C**' (read as **SMERA C**) on the Rs. 11.00 crore bank facilities of Sintech Precision Products Limited (SPPL). Further, SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **A four**) on the Rs. 9.00 crore bank facilities. The outlook is '**Stable**'.

The upgrade is in view of the significant growth in revenue and profitability margins. SMERA believes that going ahead, the company will sustain growth in revenue and profitability margins over the medium term.

SPPL, established in 1986, is a Ghaziabad-based closely held public limited company promoted by Mr. N.C. Dhingra. The company is engaged in the manufacturing of pumps used in the mining, power, cement and sugar industries. The day-to-day operations are managed by the Directors, Mr. N.C. Dhingra, Mr. Sachit Dhingra and Mr. Sahil Dhingra.

Key rating drivers

Strengths

Experienced management and long track record of operations

The Directors, Mr. N.C. Dhingra and Mr. Sachit Dhingra have experience of over two decades in the capital goods industry. The extensive experience of the promoters has helped the company establish long term relations with clients including Adani Power Limited, L & T Power Projects, and Jindal Power Limited.

Moderate financial risk profile

SPPL has moderate financial risk profile marked by net worth of Rs. 7.73 crore as on 31 March, 2017 compared to Rs. 7.14 crore as on 31 March, 2016. This includes unsecured loan of Rs. 2.68 crore as on 31 March, 2017 considered as quasi equity as the same is subordinated to bank debt. The adjusted gearing stood at 1.18 times as on 31 March, 2017 and 1.02 times as on 31 March, 2016. The total debt of Rs. 9.13 crore includes term loans of Rs.1.99 crore and working capital borrowings of Rs.7.14 crore as on 31 March, 2017. The Interest Coverage ratio stood at 1.55

times in FY2017 as against 1.65 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.59 times as on 31 March, 2017 as against 2.45 times in the previous year. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.10 times as on 31 March, 2017 as against 0.11 times as on 31 March, 2016. Going forward, SMERA expects the financial risk profile to improve marginally in the absence of major debt funded capex plans.

Weaknesses

Working capital intensive operations

The working capital cycle of SPPL is intensive marked by high GCA of 289 days in FY2017 compared to 295 days in FY2016. The GCA days are mainly dominated by inventory of 195 days in FY2017 compared to 201 days in FY2016. The average cash credit utilisation has been around 90.00 per cent during August 2017 to January 2018. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Competitive and fragmented industry

The company operates in a competitive and fragmented industry.

Analytical approach:

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

Outlook – Stable

SMERA believes that SPPL will maintain a Stable outlook over the medium term owing to the established operations and extensive experience of the promoters. The outlook may be revised to 'Positive' in case of significant improvement in operations, profitability and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	29.55	25.70	17.85
EBITDA	Rs. Cr.	3.16	2.31	1.84
PAT	Rs. Cr.	0.46	0.34	0.26
EBITDA Margin	(%)	10.70	9.00	10.31
PAT Margin	(%)	1.55	1.32	1.44
ROCE	(%)	17.87	14.13	11.77
Total Debt/Tangible Net Worth	Times	1.18	1.02	1.17
PBDIT/Interest	Times	1.55	1.65	1.72
Total Debt/PBDIT	Times	2.79	3.06	3.64
Gross Current Assets (Days)	Days	289	295	393

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

None

Any other information:

Not Applicable

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. Crore)	Ratings/Outlook
26-Dec, 2016	Cash Credit	Long Term	5.50	SMERA C (Reaffirmed)
	Letter of Credit	Short Term	1.50	SMERA C (Reaffirmed)
	Bank Guarantee	Short Term	4.00	SMERA C (Reaffirmed)
22-Dec, 2015	Cash Credit	Long Term	5.50	SMERA C (Assigned)
	Letter of Credit	Short Term	1.50	SMERA C (Assigned)
	Bank Guarantee	Short Term	4.00	SMERA C (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00 (Enhanced from Rs. 5.50 crore)	SMERA B+/ Stable (Upgraded)

Term loans	Not Applicable	Not Applicable	Not Applicable	0.45	SMERA B+/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.24	SMERA B+/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.19	SMERA B+/ Stable (Assigned)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4 (Assigned)
FBN	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00 (Enhanced from Rs. 1.50 crore)	SMERA A4 (Upgraded)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	7.00 (Enhanced from Rs. 4.00 crore)	SMERA A4 (Upgraded)
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	0.62	SMERA B+/ Stable (Assigned)

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ABOUT SMERA

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