

Press Release

Sparkline Equipments Private Limited

March 29, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.20.00 Cr.
Long Term Rating	SMERA BB/Stable
Short Term Rating	SMERA A4+

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.20.00 crore bank facilities of Sparkline Equipments Private Limited (SEPL). The outlook is '**Stable**'.

SEPL, incorporated in 1994, is a Pune-based company promoted by Mr. S. A. Doshi and Mrs. Vrushali Doshi. The company is engaged in the designing, manufacturing, testing, erection and commissioning of electric overhead travelling (EOT) cranes, electric wire rope hoists and other material handling equipments.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced promoters**

The company, established in 1994 was promoted by Mr. S. A. Doshi who possesses more than 25 years of experience in the material handling equipment industry.

- **Reputed client base**

SEPL has been catering to a reputed list of clients including Tata Motors Limited, Ashok Leyland Limited, JCB India Limited, Daimler India Commercial Vehicle Limited and others for the last two decades. Further, SEPL has tie-ups with STAHL Crane Systems GmbH for crane kits.

- **Moderate financial risk profile**

The company has moderate financial risk profile. The gearing (debt-to-equity) stood at 0.18 times as on March 31, 2016 as compared to 0.14 times in the previous year. The interest coverage ratio stood at 2.37 times in FY2015-16 as compared to 2.65 times in the previous year. SMERA believes that the company will maintain its moderate financial risk profile over the medium term owing to consistent growth in its net worth and absence of large debt-funded capex plan.

Weaknesses

- **Modest scale of operations**

The company reported operating income of Rs. 42.29 cr. for FY2015-16 as against Rs.43.83 cr. in the previous year registering a decline of around ~3.5 per cent. The decline in operating income is due to slowdown in demand for material handling products from end-users. Further, SEPL reported revenue of around Rs. 40.00 cr. (provisional) from April, 2016 to February, 2017.

- **Working capital intensive operations**

The operations are working capital intensive evident from the high Gross Current Asset Days (GCA) of 292 for FY2016 as against 244 days in the previous year. The high GCA days emanate from the stretched inventory days of 118 and elongated receivables of 156 days for FY2016. However, SEPL's average cash credit limit utilisation stood at 88 percent for the last six months as on 31st January, 2017.

- **Profitability is susceptible to volatility in input prices**

With prices of steel, the main raw material for SEPL, being volatile in nature the profitability of the company is susceptible to fluctuations in raw material prices. Further, SEPL imports around 30 percent of its purchases from Germany making it susceptible to foreign exchange fluctuation risk in the absence of adequate hedging policy.

Analytical approach

SMERA has considered the standalone business and financial risk profiles of SEPL.

Outlook: Stable

SMERA believes that SEPL will maintain a stable outlook over the medium term on account of its experienced management and established relations with reputed clients. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues and profit margins while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the profit margins or deterioration in the financial risk profile on account of higher-than-expected working capital requirements.

About the Rated Entity – Key Financials

For FY 2015-16, SEPL reported profit after tax (PAT) of Rs.0.44 cr. on operating income of Rs.42.29 cr. as compared to PAT of Rs. 0.76 crore on operating income of Rs.43.83 crore for FY2014-15. The net worth stood at Rs.18.20 crore as on March 31, 2016 as compared with Rs.17.69 cr. as on March 31, 2015.

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>

Note on complexity levels of the rated instrument:

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

Rating History (Upto three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Apr-2016	Cash Credit	Long Term	5.00	SMERA BB/Stable
	Letter of Credit	Short Term	12.00^	SMERA A4+
	Bank Guarantee	Short Term	5.00#	SMERA A4+

^Includes sublimit of Rs. 5.00 crore buyer's credit.

Total non-fund based limit should not exceed the limit of Rs. 15.00 crore.

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/ Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.00^	SMERA A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00#	SMERA A4+ (Reaffirmed)

^Includes sublimit of Rs. 5.00 crore buyer's credit.

Total non-fund based limit should not exceed the limit of Rs. 15.00 crore.

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ABOUT SMERA

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