



SMERA RATINGS LIMITED

# Sterimax Engineering Private Limited (SEPL)

*Rating  
Rationale*

**May 12, 2016**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	1.00	SMERA BB+/Stable (Assigned)
Term Loan	8.50	SMERA BB+/Stable (Assigned)

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA double B plus**) to the above mentioned bank facilities of Sterimax Engineering Private Limited (SEPL). The outlook is '**Stable**'. The rating derives strength from the experienced management and healthy financial risk profile. The rating also draws support from the healthy profitability, reputed clientele and healthy order book position. However, the rating is constrained by the limited operational track record and customer concentration risk.

SEPL, incorporated in 2013 is headed by Mr. Ashok Chavan and Mrs. Sucheta Chavan, Directors with around two decades of experience in the industry. The company has healthy financial risk profile marked by high interest coverage ratio (ICR) of 11.93 times in FY2015. The debt service coverage ratio (DSCR) stood at 9.14 times in FY2015.

SEPL has a comfortable liquidity position marked by healthy net cash accruals as on March 31, 2015. The average utilisation of the working capital limit is ~62 per cent for cash credit (for six months ended March, 2016).

SEPLs operations are capital intensive reflected in the gross current assets (GCA) of 700 days in FY2014-15. The high GCA emanates from the high inventory holding days due to the long time taken to manufacture Blow Fill Seal (BFS) machines.

However, the rating is constrained by the limited operational track record as the company commenced its operations in May, 2013. It faces customer concentration risk as it earned 100 percent of its revenues from six customers in FY2014-15 and ~48 per cent of its revenues from Nirma Limited in FY2015-16.

## **Outlook: Stable**

SMERA believes that the outlook of SEPL would remain stable on account of its experienced management and healthy revenue profile backed by reputed clientele. The outlook may be revised to 'Positive' in case the company sustains healthy revenue momentum with healthy increase in profitability while maintaining an effective working capital management. The outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

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**Rating Sensitivity Factors**

- Growth in revenues while sustaining operating margins
- Deterioration in the financial risk profile
- Efficient working capital management

**About the Company**

SEPL, incorporated in 2013 is engaged in the manufacture of Blow Seal Fill (BSF) Machines & Moulds at its unit at Navi Mumbai (Maharashtra).

For FY2014–15, the company reported profit after tax (PAT) of Rs.0.50 crore on operating income of Rs.6.90 crore, as compared with net profit of Rs.0.09 crore on operating income of Rs.1.03 crore in FY2013–14. The company's net worth stood at Rs.1.02 crore as on March 31, 2015 as compared with Rs. 0.10 crore a year earlier.

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