

National Fittings Limited: Assigned

Name of the Instruments	Amount (Rs. Crore)	Rating/Outlook
Export Packing Credit/PCFC	4.00	SMERA A3+ (Assigned)
FBP	5.00*	SMERA A3+ (Assigned)
Bank Guarantee/Letter of Guarantee	0.15	SMERA A3+ (Assigned)
Letter of Credit	1.50	SMERA A3+ (Assigned)
Bank Facilities (Proposed)	4.00	SMERA A3+ (Assigned)

**FBN is fully interchangeable with FBP.*

SMERA has assigned rating of '**SMERA A3+**' (read as **SMERA A three plus**) on the above mentioned bank facilities of National Fittings Limited (NFL). The rating derives strength from the experienced management, long track record of operations and long standing relations with clientele. The rating also draws support from the healthy financial risk profile, prudent working capital cycle and sound liquidity position of the company. However, the rating is constrained by the moderate scale of operations, intense market competition and risk of exposure to fluctuations in forex.

NFL is headed by Mr. A V Palaniswamy with around four decades of experience in the iron and steel industry. The company has relations of around 25 years with clients.

NFL has a healthy financial risk profile marked by net worth of Rs.15.20 crore as on March 31, 2015. The gearing is comfortable at 0.51 times as on March 31, 2015 with strong interest coverage ratio (ICR) of 9.84 times in FY2015. The debt service coverage ratio (DSCR) stood at 7.24 times in FY2015 while the total debt of Rs.7.81 crore as on March 31, 2015 consists of only short term working capital limits. The working capital cycle has been in the range of 50 days – 60 days during the period under study.

NFL 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 ~58 per cent (for 10 months ended March, 2016).

However, the ratings are constrained by the moderate scale of operations with revenue of Rs.49.53 crore for FY2015 as against Rs.36.74 crore for FY2014. With the company earning around ~83 per cent of its revenue from exports to Middle East, it is exposed to customer concentration and forex fluctuation risk.

Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Deterioration in the financial risk profile

Criteria applied to arrive at the rating:

- **Manufacturing Entities**

About the Company

Incorporated in 1993 by Mr. A. V. Palaniswamy, NFL (the erstwhile Interfit Techno Products Limited) is a Coimbatore-based company engaged in the manufacture of spheroidal graphite pipe fittings, stainless steel fittings and stainless steel ball valves.

For FY2014-15, the company reported profit after tax (PAT) of Rs.5.50 crore on operating income of Rs.49.53 crore, as compared with net profit of Rs.3.36 crore on operating income of Rs.36.74 crore in FY2013-14. The net worth stood at Rs.15.20 crore as on March 31, 2015 as compared with Rs.11.03 crore a year earlier.

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ABOUT SMERA

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