

### Shakthi Tech Manufacturing India Private Limited: Assigned

Name of the Instruments	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.50	SMERA BB/Stable (Assigned)
Term Loan	10.80	SMERA BB/Stable (Assigned)
Packing Credit/Packing Credit in Foreign Currency	2.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**'(read as **SMERA double B**) and **SMERA A4+ (read as SMERA A four plus)** to the above mentioned bank facilities of Shakthi Tech Manufacturing India Private Limited (STMIPL). The outlook is '**Stable**'.

The ratings derive comfort from the long track record of operations, experienced management and reputed clientele. The ratings also factor in the healthy revenue growth and order book position. However, the ratings are constrained by the tender based business, average financial risk profile and susceptibility of profit margins to volatility in raw material prices. The ratings also note the forex fluctuation risk and risk associated with the ongoing capex.

STMIPL benefits from the experienced management and long track record of operations. The promoters possess around two decades of experience in the manufacturing of castings. The company caters to reputed clients including Indian Railways, Weir Group, Midland Manufacturing, Mclellan Industries among others and also exports to USA, Italy, Canada and UK.

The operations of the company have improved significantly during FY2013-14 to FY2014-15. The operating income stands at Rs.21.71 crore in FY2014-15 as against Rs.16.64 in FY2013-14. As per provisional results for FY2015-16, revenues have improved to Rs.42.01 crore. The company has a healthy order book position of Rs.93.15 crore majorly comprising orders from Indian Railways. The revenues however are susceptible to the tender based nature of business.

The operating margin improved from 14.65 per cent in FY2013-14 to 17.61 per cent for FY2014-15. However, the company's margins are susceptible to movement in raw material prices and forex fluctuation risk. STMIPL has an average financial risk profile marked by interest coverage of 4.31 times and DSCR of 3.78 times in FY2014-15. However the gearing level stands at 2.18 times as on March 31, 2015 and improved to 1.96 times as on March 31, 2016 (provisional).

STMIPL plans to set up a factory at a cost of Rs.40 crore to be funded through a term loan (75 per cent) and the balance (25 per cent) with own funds constituting equity and unsecured loans. The project is expected to be operational from October 2016. Timely completion of the project and commencement of commercial operations will be the key rating sensitivities.

#### Rating Sensitivity Factors

- Scaling up of operations while maintaining margins
- Efficient working capital management
- Project execution risk

### Outlook – Stable

SMERA believes STMIPL 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 net cash accruals while maintaining comfortable debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or deterioration in the financial risk profile due to higher than expected debt funded capex and working capital requirements.

### Criteria applied to arrive at the ratings:

- Manufacturing Entities

### About the Company

STMIPL was incorporated in 2013 by Mr. M. Angou and Mrs. Usha Angou to takeover the existing business of Shakthi Tech, a proprietorship concern established in 2006. The company is engaged in the manufacturing of machined casting and pump parts. STMIPL has three manufacturing units in Coimbatore.

The company reported profit after tax (PAT) of Rs.2.65 crore on net sales of Rs.42.01 crore in FY2016 as against PAT of Rs.1.26 crore on net sales of Rs.21.71 crore in FY2015.

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### ABOUT SMERA

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