

Press Release

Star Track Fasteners Private Limited

August 31, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (read as SMERA BB) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 12.00 crore bank facilities of Star Track Fasteners Private Limited. The outlook is '**Stable**'.

The Delhi-based Star Track Fasteners Private Limited (STFPL), incorporated in 1992 is headed by Mr. Naresh Kumar Aggarwal, Mr. Manmohan Sarup Aggarwal, Mr. Vikas Aggarwal among others. The company manufactures rubber components for Indian Railways, Metro Railways and caters to the agricultural machinery industry. The company has also commenced trading of agro commodities.

Key Rating Drivers

Strengths

- **Experienced management**

STFPL benefits from its experienced management. The Directors have experience of around two decades in the rubber components industry. This has enabled the company to forge long term relations with customers and suppliers.

- **Moderate financial risk profile and liquidity position**

The financial risk profile is moderate marked by net worth (including quasi equity of Rs.3.91 crore which is subordinated to bank debt) of Rs.7.42 crore as on 31 March, 2017 (Provisional) compared to Rs.6.74 crore as on 31 March, 2016. The gearing (debt-equity) improved to 0.73 times as on 31 March, 2017 (Provisional) compared to 1.00 times as on 31 March, 2016. The total debt of Rs.5.42 crore as on 31 March, 2017 (Provisionals) consists of long term debt of Rs.1.23 crore and working capital funding of Rs.4.19 crore. The interest coverage ratio stood at 2.56 times for FY2016-17 (Provisionals) compared to 2.36 times for FY2015-16. STFPL has comfortable working capital operations marked by Gross Current Asset (GCA) days of 94 for FY2016-17 (Provisionals) as against 90 days for FY2015-16. The inventory days and debtor days are comfortable at 29 and 65 respectively for FY2016-17. Further, the bank limit utilisation has been around 85 per cent for the past six months ending June, 2017. SMERA believes that STFPL will maintain its moderate financial risk profile and liquidity position on the back of moderate cash accruals and absence of debt funded capex plans.

Weaknesses

- **Moderate scale of operations**

The operations are at a moderate scale. The company achieved operating income of Rs.35.50 crore for FY2016-17 (Provisionals) as against Rs.39.43 crore for FY2015-16. The fall in revenue is mainly on account of decline in orders from Indian Railways. Going forward, the company's ability to successfully bid for large orders will be a key rating monitorable. In FY2016-17, the company entered

into trading of agro commodities that contributed ~50 per cent to revenue.

• Highly fragmented industry marked by intense competition

STFPL operates in a highly fragmented rubber components industry with limited entry barriers due to low capital investment. As a result the bargaining power is limited due to intense competition.

Analytical Approach

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

Outlook: Stable

SMERA believes that the outlook of STFPL will remain stable over the medium term on account of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the company registers sustained growth in revenue and profit margins. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in profit margins or significant deterioration in the capital structure on account of larger than envisaged debt funded capex and working capital borrowings.

About the Rated Entity - Key Financials

For FY2015-16, STFPL reported profit after tax (PAT) of Rs.0.16 crore on operating income of Rs.39.43 crore, as compared with profit after tax (PAT) of Rs.0.22 crore on operating income of Rs.32.37 crore in FY2014-15. The net worth (including quasi equity) stood at Rs.6.74 crore as on 31 March, 2016 as compared to Rs.7.25 as on 31 March, 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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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. Cr.)	Ratings/Outlook
09-Aug-2016	Cash Credit	Long Term	INR 5	SMERA BB / Stable
	Term Loan	Long Term	INR 1.5	SMERA BB / Stable
	Bank Guarantee	Short Term	INR 4	SMERA A4+
	Letter of Credit	Short Term	INR 1.5	SMERA A4+

***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
Term loans	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Kashish Shah Analyst - Rating Operations Tel: 022-67141152 kashish.shah@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.