

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 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

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ABOUT SMERA

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