

Press Release

Star Track Fasteners Private Limited

September 27, 2018



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

Star Track Fasteners Private Limited (STFPL), established in 1992, is managed by Mr. Vikas Aggarwal and Mr. Kapil Aggarwal. The company is engaged in the manufacturing of rubber components for Indian Railways, Metro Railways and the agro industry.

Key Rating Drivers

Strengths

- Experienced management**

STFPL was incorporated in 1992, promoted by Mr. Kapil Aggarwal and Mr. Vikas Aggarwal. The promoters have experience of more than two decades in rubber industry. Thus, the company has been able to forge long lasting relationships with its customers.

- Moderate working capital operations**

STFPL has moderate working capital nature marked by Gross Current Asset (GCA) days of 143 for FY2018 (Provisional). The inventory days and debtors days also stood comfortable at 77 and 49 respectively for FY2018 (Provisional). Further, CC limit utilization is around ~95 percent for the past six months ending June, 2017.

- Moderate Financial Risk Profile**

The financial risk profile of STFPL stood comfortable marked by low gearing (debt-equity) of 0.68 times as on 31 March 2018 (Provisional) as compared to 0.84 times as on 31 March 2017. The net worth (including Quasi Equity) stood at Rs. 9.23 crore as on 31 March 2018 (Provisional) as compared to Rs. 6.97 crore as on 31 March 2017. Interest coverage ratio stood healthy at 3.42 times for FY2018 (Provisional) as compared to 2.68 times for FY2017. Further, ACUITE believes the financial risk profile of the company will remain moderate in FY2019.

Weaknesses

- Negotiations and thin margins**

STFPL has been declining its operating margins to bag more orders. There are many rounds of negotiations with the government authorities even after the tender is passed. Negotiation rounds reduce the margins and delay the implementation of the project, further causing a decline in the revenue earnings.

- Tender based nature of business**

STFPL is involved in tender based business with government agencies particularly operating in the railway industry. The company's ability to bid and procure orders of larger quantities will be a key factor for the future. Even though the promoter's experience mitigates the risk to an extent, the intense competition makes it difficult to bag orders based on tenders.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Star Track Fasteners Private Limited to arrive at the rating.

Outlook: Stable

Acuité believes that the outlook of STFPL's will remain stable over the medium term on account of experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' if the company registers a sustained growth in revenue while sustaining profit margins. Conversely, the outlook may be revised to 'Negative' if there is a steep decline in the operating profit margins or in case of a 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

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	34.72	34.73	38.77
EBITDA	Rs. Cr.	2.77	2.50	2.53
PAT	Rs. Cr.	1.02	1.07	0.16
EBITDA Margin	(%)	7.97	7.21	6.53
PAT Margin	(%)	2.95	3.07	0.42
ROCE	(%)	14.45	17.56	16.70
Total Debt/Tangible Net Worth	Times	0.71	1.05	1.00
PBDIT/Interest	Times	3.42	2.68	2.36
Total Debt/PBDIT	Times	2.11	2.04	1.98
Gross Current Assets (Days)	Days	143	113	107

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Rating Action/Outlook
31-Aug-2017	Cash Credit	Long Term	5.00	ACUITE BB / Stable (Reaffirmed)
	Term Loan	Long Term	0.50	ACUITE BB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Reaffirmed)
09-Aug-2016	Cash Credit	Long Term	5.00	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	1.50	ACUITE BB / Stable (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Rating Action/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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