

Press Release

Star Track Fasteners Private Limited

November 05, 2020



Rating Reaffirmed, Assigned & Withdrawn

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and the 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 (STFPL). The outlook is '**Stable**'.

Delhi based, Star Track Fasteners Private Limited (STFPL) was incorporated in 1992. The company is engaged in the manufacturing of a varied line of rubber components such as composite grooved rubber soled plates, grooved rubber soled plates, nylon cords, rubber roll, bonded and non-bonded rail fastening systems, reinforced grooved rubber soled plates etc. to name a few. The company has reputed clientele such as Indian Railways, Metro, Larsen & Toubro, Paras Railtech, to name a few.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of STFPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

STFPL was incorporated in 1992, thus the company has an operational track record of nearly three decades in rubber products industry. The long track record of operations and experience of management have helped the company to maintain a healthy relationship with its customers and suppliers. Acuité believes that STFPL will sustain its existing business profile on the back of an established track record of operations and experienced management.

- **Above average financial risk profile**

The company has above average financial risk profile marked by modest net worth, low gearing and above average debt protection metrics. The net worth stood at Rs.10.48 crore as on 31 March, 2019 as against Rs.9.54 crore on 31 March, 2018. The company has followed a conservative financial policy in the past; the same is reflected through its gearing levels of 0.65 times as on March 31, 2018. The gearing remained stable at 0.60 times as on March 31, 2019. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.22 times as on 31 March 2019 as against 1.18 times as on 31 March 2018. The company on the other hand generated cash accruals of Rs.1.96 crore in FY2019 as against Rs.2.36 crore in FY2018. The profitability levels coupled with debt levels, have led to above average debt protection measures. The NCA/TD and interest coverage ratio for FY2019 were healthy at 0.31 times and 3.85 times, respectively. Acuité believes that the financial risk profile of the company is likely to remain above average over the medium term, on account of low gearing and above average debt protection metrics.

Weaknesses

- **Modest scale of operations**

The company's revenue stood modest at Rs.34.94 crore in FY 2019 as compared to Rs.35.71 crore in the previous year and Rs.34.73 crore in FY 2017. Further, the company has booked revenue of around Rs.33.81 crore for FY2020(Est) and Rs.18.47 crore for the six months ended September, 2020. Going ahead, the ability of the company to improve its scale of operations will remain a key rating sensitivity.

• **Intensive working capital management**

The company's working capital management is intensive marked by its gross current asset (GCA) days of around 153 days in FY2019 as against 137 days in FY2018. The company has maintained an inventory holding period of 56 days as on 31 March, 2019 as against 65 days as on 31 March, 2018. The debtor days remained around 67 in FY2019 as against 53 days in FY2018. Acuité expects the working capital management of the company to remain intensive over the medium term on account of its debt collection period.

Liquidity Position: Adequate

STFPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.96 crore for FY2019, with debt repayment obligations of Rs.0.52 crore for the same period. The cash accruals the company are estimated to remain in the range of around Rs.1.85 crore to Rs.1.99 crore during FY2020-22 against debt repayment obligations of Rs.0.13 crore-Rs.0.60 crore every year in the same period. The firm's working capital operations are intensive, marked by GCA of 153 days for FY2019. The average bank limit utilization over the past six months ended July 2020 remained low at around ~48.26 percent. The current ratio stood at 1.19 times as on 31 March, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals against its debt repayments over the medium term.

Rating Sensitivities

- Scaling up of operations
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Outlook: Stable

Acuité believes that STFPL will maintain a 'Stable' outlook on account of experienced management. The outlook may be revised to 'Positive' in case of a significant improvement in working capital operations while maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in the scale of operations or elongation in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	34.94	35.71
PAT	Rs. Cr.	0.94	1.51
PAT Margin	(%)	2.70	4.23
Total Debt/Tangible Net Worth	Times	0.60	0.65
PBDIT/Interest	Times	3.85	3.99

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

Not Applicable

Any other information

None

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Dec-2019	Cash Credit	Long Term	5.00	ACUITE BB (Indicative)
	Term Loan	Long Term	0.50	ACUITE BB (Indicative)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Indicative)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Indicative)
27-Sep-2018	Term Loan	Long Term	0.50	ACUITE BB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB / Stable (Reaffirmed)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Reaffirmed)
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)

***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	ACUITE BB/ Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	0.50	ACUITE BB (Withdrawn)
Working Capital Term Loan	04-Jul-2020	Not Applicable	04-Jul-2024	0.50	ACUITE BB/Stable (Assigned)
Proposed Facilities	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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