

Sapana Ceramics Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Term Loan	5.00*	SMERA B+/Stable (Assigned)
Cash Credit	10.00	SMERA B+/Stable (Assigned)
Financial Bank Guarantee	4.00	SMERA A4 (Assigned)
Inland Letter of Credit	5.00	SMERA A4 (Assigned)

*Foreign Letter of Credit as a sublimit of Term Loan to the extent of Rs.4.00 crore

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.24.00 crore bank facilities of Sapana Ceramics Private Limited (SCPL). The outlook is '**Stable**'. The ratings are supported by the company's healthy operating margins and financial risk profile. However, the rating is constrained by the small-scale of operations and limited operational track record in the fabrication business.

SCPL incorporated in 1979 is engaged in real estate development and mining of boulders. The company has ventured into fabrication of steel structures, vehicle chassis, pre-engineered building structures and components for power plants. The manufacturing plant at Ponda, Goa has an installed capacity of 9,000 MTPA. The plant commenced commercial operations in June 2016. The margins improved from 25 per cent in FY2013-14 (refers to financial year, April 01 to March 31) to 38 per cent in FY2015-16 due to higher contribution of mining activity in the revenue mix. The company has healthy operating margins as its core business till March 2016 has been boulder excavation.

SCPL has healthy financial risk profile marked by tangible networth of Rs.18.63 crore as on March 31, 2016. The networth is supported by unsecured loans of Rs.1.02 crore that are subordinated to bank debt. The gearing stood at 0.07 times as on March 31, 2016. The company availed term loan of Rs.5.00 crore for machinery required for its heavy fabrication business.

SCPL has small scale of operations with revenue of Rs.6.63 crore in FY2015-16 as against Rs.4.40 crore in FY2014-15 largely from real estate development activities and mining of boulders. The company has limited track record of operations in the heavy fabrication business.

Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Higher-than-expected increase in working capital requirements

Outlook-Stable

SMERA believes that SCPL will maintain a stable outlook in the medium term. The outlook may be revised to Positive if the scale of operations increases substantially while also maintaining operating profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

SCPL, incorporated in 1979, is a Goa-based company promoted by Mr. Naik, and family. For FY2015-16, SCPL reported net profit after tax of Rs.1.15 crore on operating income of Rs.6.63 crore, as compared with net loss of Rs.1.17 crore on operating income of Rs.4.40 crore in FY2014-15.

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ABOUT SMERA

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