

Press Release

Span Associates (SA)

17 January, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.10.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-' (read as SMERA double B Minus)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs.10.00 crore bank facilities of Span Associates (SA). The outlook is '**Stable**'. The firm, headed by Mr V.G Kelkar and Mrs S.V Kelkar is engaged in the manufacture of air cooling units and filtration plants.

List of key rating drivers and their detailed description

Strengths:

Experienced management and long track record of operations: Established in 1976, the firm is headed by partners, Mr V.G Kelkar and Mrs S.V Kelkar who possess more than four decades of experience in the aforementioned line of business.

Average financial risk profile: The average financial risk profile is marked by low gearing, high interest coverage ratio, modest networth and Net Cash Accruals to Total Debt (NCA/TD). The Debt equity stands at 0.81 times and interest coverage at 2.02 times in FY2016. The net worth is modest at Rs.9.75 crore in FY2016. Moreover, the NCA/TD stood at 0.14 times while Debt Service Coverage Ratio (DSCR) at a high of 2.07 times in FY2016.

Weaknesses:

Modest scale of operations: The firm has modest scale of operations with increase in revenue to Rs.27.50 crore in FY2016 as against Rs.26.61 crore in FY2014.

Moderate working capital management: The moderate working capital management is marked by average working capital days in the range of 82-91 in the last three years ended FY2016. The gross current assets stood at 180 days in FY2016. The average inventory is 57 days, while debtor is 119 days in FY2016.

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

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that SA will maintain a stable outlook in the medium term backed by its experienced management. The outlook may be revised to 'Positive' if the firm achieves the envisaged profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability and profitability or if the financial risk profile deteriorates owing to higher-than-expected working capital requirements/debt funded capex.

About the Firm

The Pune-based Span Associates, a partnership firm, was established in 1976. The firm manufactures air cooling units and filtration plants at its three facilities at Pune. The day-to-day operations are managed by Mr V.G Kelkar.

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.78 crore on operating income of Rs.27.50 crore as compared to PAT of Rs.0.39 crore on total operating income of Rs.30.94 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	1.60	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Overdraft	LT	1.00	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	2.03	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Long Term Proposed	LT	0.57	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	3.00	SMERA A4 (Assigned)	-	-	-	-	-	-
Bill Discounting	ST	1.80	SMERA A4 (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	1.60	SMERA BB-/Stable (Assigned)
Overdraft	N.A	N.A	N.A	1.00	SMERA BB-/Stable (Assigned)
Term Loan	N.A	N.A	2023	2.03	SMERA BB-/Stable (Assigned)
Long Term Proposed	N.A	N.A	N.A	0.57	SMERA BB-/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	3.00	SMERA A4 (Assigned)
Bill Discounting	N.A	N.A	N.A	1.80	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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