

Press Release

Smpc Industries India Private Limited

March 02, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.14 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 12.14 crore bank facilities of Smpc Industries India Private Limited. The outlook is '**Stable**'.

SMPC, incorporated in 2004, is a Chennai-based private company promoted by Mr. Azam Khan. The company is engaged in the processing of steel which includes cutting, shearing and re-shearing of galvanised corrugated sheets on job work basis. The company procures galvanised steel from Select Galva India Private Limited.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

The group is engaged in the trading and manufacturing of galvanised steel. The Director, Mr. Azam Khan Abdul Razack possesses more than three decades of experience in the said line of business. SGIPL is one of the leading distributors of galvanised steel in Tamil Nadu and Pondicherry.

- **Improvement in operating margins**

The operating margins of the group improved to 7.61 percent in FY2016 from 6.06 percent in FY2015. Further, the PAT (Profit after Tax) margins also improved to 0.59 percent in FY2016 from 0.13 percent in FY2015.

- **Reputed clientele**

The group caters to reputed clients such as Johnson & Johnson, Kone Elevators India Private Limited, Godrej among others.

Weaknesses

- **Moderate scale of operation**

The operating income declined to Rs.127.92 cr in FY2016 from Rs.176.61 cr in FY2015 due to decline in steel prices.

- **Below average financial risk profile**

The group has below average financial risk profile marked by net worth of Rs.19.39 cr as on March 31 2016 as against Rs.19.97 cr as on March 31 2015. The gearing (debt-equity ratio) stood at 3.47 times as on March 31 2016 as against 2.35 times as on March 31 2015. The group's debt protections metrics are moderate as Interest coverage ratio and DSCR (debt service coverage ratio) stood at 1.59 times and 1.58 times for FY2016. The NCA/TD stood at 0.05 times. The TOL/TNW levels are high at 4.41 times for FY2016.

- **Working capital intensive operations**

The operations are working capital intensive, as reflected by high gross current assets (GCA) of 207

days as on March 31, 2016. This was on account of increase in inventory days to 160 in FY2016 (PY: 82 days). The working capital cycle stands high at 161 days as on March 31, 2016. The average six months utilisation of working capital facility ended January 2016 stood at ~99.10 percent.

Analytical Approach

SMERA believes that the outlook on the group will remain 'Stable' over the medium term on account of the extensive experience of the management. The outlook may be revised to 'Positive' if the group reports substantial growth in revenue with improvement in profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or decline in operating margins. Any deterioration in the financial risk profile with debt funded capex may also entail a 'Negative' outlook.

Outlook: Stable

SMERA believes that the outlook of the group will remain Stable over the medium term on account of the extensive experience of the management. The outlook may be revised to Positive if the group reports substantial growth in revenue with improvement in profitability and financial risk profile. Conversely, the outlook may be revised to Negative in case of deterioration in the financial risk profile, operating margins or if the company takes on debt funded capex.

About the Group

Select Galva Group established in 1962, is a Tamil Nadu-based group engaged in the trading and manufacturing of galvanised steel products. The group comprises three entities viz. Select Galva India Private Limited (SGIPL), SMPC Industries India Private Limited (SIPL) and Select EXIM (SE).

About the Rated Entity - Key Financials

On consolidated basis, the Select Galva Group reported net profit after tax (PAT) of Rs. 0.75 crore on operating income of Rs. 127.92 crore in FY2015-16 compared to PAT of Rs. 0.23 crore on operating income of Rs.173.27 crore in the previous year. The net worth stood at Rs.19.39 cr as on March 31, 2016 compared to Rs.19.97 a year earlier.

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>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	12.14	SMERA B+ / Stable

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ABOUT SMERA

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