

Press Release

Summit Corporation Private Limited

March 30, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.50 Cr.
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (read as **SMERA B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 6.50 crore bank facilities of Summit Corporation Private Limited. The outlook is '**Stable**'.

The Pune-based Summit Corporation Private Limited (SCPL) was incorporated in 2012. The company is engaged in the manufacture of fabricated sheet metal items for engineering and automobile companies. The company also undertakes projects on turnkey basis for supply, installation and commissioning of fabricated structures, pressure vessels, storage tanks and others.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Sumeet Salunke and Mr. Prabhakar Salunke have over a decades experience in the said line of business and have developed healthy relationships with suppliers. This has helped in getting repeat orders from customers.

- **Moderate order book position**

SCPL has order book position of Rs.20.00 cr providing revenue visibility over the medium term.

Weaknesses

- **Modest scale of operations**

SCPL has modest scale of operations marked by operating income of Rs.15.94 cr for FY2016 as against Rs.11.45 cr for FY2015 and Rs.22.74 cr for FY2014. The company achieved revenue of Rs.8.00 cr from April 2016 to February 2017.

- **Uneven profitability, susceptibility to raw material prices**

The company has registered uneven trends in profitability marked by operating margin of 18.87 percent and operating profits of Rs.3.01 cr for FY2016 as against operating losses of Rs.0.29 cr for FY2015. The profitability remains susceptible to volatility in the prices of steel.

- **Working capital intensive operations, stretched liquidity position**

SCPL has working capital intensive operations marked by GCA (Gross current assets) days of 523 for FY2016 as against 450 days for FY2015. The GCA days are high mainly on account of inventory days of 289 and debtor days of 234 for FY2016. The WCC (working capital cycle) days stood at 268 for FY2016 and 353 for FY2015.

- **Average financial risk profile**

SCPL has average financial risk profile marked by gearing (Debt-to equity) of 1.30 times as on 31 March, 2016 as against 1.41 times as on 31 March, 2015. The ICR (Interest coverage ratio) stood at 1.20 times and DSCR at 0.73 times for FY2016 as against ICR of 0.56 times and DSCR of 0.54 times in the previous year. The tangible net worth stood at Rs.11.67 cr as on 31 March, 2016. (networth includes subordinated quasi equity of Rs.11.00 cr).

• **Competitive and fragmented industry**

SCPL operates in a highly fragmented steel industry. The company faces competition from a large number of organised and unorganised players in the industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SCPL

Outlook: Stable

SMERA believes that SCPL will maintain a Stable outlook over the medium term owing to the experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenue while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and working capital management.

About the Rated Entity - Key Financials

For FY2015-16, the company reported net loss of Rs.1.68 cr on operating income of Rs.15.94 cr, as compared with net loss of Rs.3.24 cr on operating income of Rs.11.45 cr in FY2014-15. The net worth stood at Rs.11.67 cr as on March 31, 2016 as against Rs.12.92 cr a year earlier. (Tangible net worth includes subordinated quasi equity of Rs.11.00 cr for FY2016 and FY2015)

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>
- 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA B- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4

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ABOUT SMERA

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