

Press Release

Schenck Process Solutions India Private Limited

July 04, 2018



Rating Reaffirmed

| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 31.00 Cr. |
| Long Term Rating | ACUITE BB+ / Outlook: Stable |
| Short Term Rating | ACUITE A4+ |

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs. 31.00 crore bank facilities of Schenck Process Solutions India Private Limited. The outlook is '**Stable**'.

Schenck Process Solutions India Private Limited (SPSIPL) was incorporated in 2003 as a part of Schenck Process Group, Germany. The company follows integrated process of designing, assembling and supplying of applied measuring and process technology solutions. The product portfolio offers specialised mechanical and pneumatic conveying solutions for the steel, cement and chemical industries. These solutions include gravimetric coal feed systems, mill reject systems and pneumatic ash handling systems for coal-fired power plants.

Analytical Approach

While assigning the rating, Acuite has taken into account the consolidated operational and financial performance of Schenck Process India Private Limited and Schenck Process Solutions India Private Limited. The consolidation is in view of common ultimate holding company Schenck Process Holding, GmbH, common manufacturing facilities as well as significant operational and financial linkages. The group is herein referred to as Schenck Process Group India (SPGI).

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

The group was incorporated in 1996 and currently led by Ms. Guna Thantry, Mr. Sunil Sheshagirirao Potdar, and Mr. Aji Philip. The management is having an experience of over two decade in industry. Schenck group's strong position stems from the presence of its established brand in both domestic and export markets. Acuite believes that the group will sustain the existing business profile over the medium term on the back of extensive experience of the management.

- Strong support from the parent company**

The Indian group, being part of global Schenck Process group, will be benefited in terms of adequate technical expertise, raw material and to offer products under a single trademark globally. The group also shares the parent name and fully owned by the promoters, thereby reinforcing the moral obligation to provide support.

- Comfortable financial risk profile**

SPGI has comfortable financial risk profile marked by net worth of Rs.97.03 crore as on March 31, 2018 (Provisional) from Rs.93.56 crore in the previous year. The gearing stood constant at 0.04 times for both the years FY2018 (Provisional) and FY2017. The total debt of Rs. 3.66 crore in FY2018 (Provisional) comprises of only working capital borrowings. The Interest Coverage Ratio (ICR) is comfortable at 5.25 times in FY2018 (Provisional). The TOL/TNW stood at 0.67 times as on March 31, 2018 (Provisional) as against 0.88 times as on March 31, 2017. Acuite believes that the financial risk profile of group is expected to be comfortable over the medium term on account of no major debt funded capex plans in near term.

Weaknesses

• Fluctuating revenue profile and margins

The group registered fluctuating revenues during the period under study. Revenue stood at Rs.168.26 crore in FY2017 as against Rs.224.51 in FY2016 and Rs.210.90 crore in FY2015. Further, the group has achieved revenue of Rs.193.78 crore in FY2018 (Provisional). This is on the account of scaling down of operations in Schenck Process India Private Limited. Acuite expects profitability to remain under pressure in the medium term due to subdued demand in the end user industry and competitive pressure.

• Working capital intensive operation

The operations of group are working-capital-intensive in nature as reflected in Gross Current Assets (GCA) of around 224 days as on March 31, 2018 (Provisional) as against 300 days as on March 31, 2017. The GCA days are high due to high receivable days of 97 as on March 31, 2018 (Provisional) as compared to 161 days as on March 31, 2017. The group is utilizing its working capital borrowings at level of 70 per cent for the past six month ended May 2018. Acuite believes the ability of the group to manage sufficient funds to support the increase in scale of operations over the near to medium term will be critical.

Outlook: Stable

Acuite believes that the outlook on the group will remain 'Stable' over the medium term on account of the long track record of operations and experienced management. The outlook may be revised to 'Positive' if the group registers growth in profitability margins while maintaining growth in revenue and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any dilution of support from the parent company or deterioration of its financial risk profile.

About the group

The Indian Schenck Process Group consists of Schenck Process India Private Limited and Schenck Process Solutions India Private Limited. The group develops and sells full range of solutions and products such as pneumatic and mechanical conveying solutions, electrical filtration, dust collection and air filtration, weighing and feeding electronics, weighing/force sensors and accessories, spare parts and components, and consumables.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 193.78 | 168.26 | 224.51 |
| EBITDA | Rs. Cr. | 11.51 | (2.57) | 8.36 |
| PAT | Rs. Cr. | (0.37) | (5.67) | 0.19 |
| EBITDA Margin | (%) | 5.94 | (1.53) | 3.73 |
| PAT Margin | (%) | (0.19) | (3.37) | 0.08 |
| ROCE | (%) | 11.29 | (4.79) | 3.71 |
| Total Debt/Tangible Net Worth | Times | 0.67 | 0.88 | 1.05 |
| PBDIT/Interest | Times | 5.25 | (1.20) | 1.42 |
| Total Debt/PBDIT | Times | 0.30 | (1.05) | 2.37 |
| Gross Current Assets (Days) | Days | 224 | 300 | 267 |

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation of Companies - <http://acuite.in/view-rating-criteria-22.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr) | Ratings/Outlook |
|-----------|---------------------------------|------------|-----------------|--------------------------------|
| 16-May-17 | Cash Credit | Long term | 2.00 | ACUITE BB+/Stable (Downgraded) |
| | Cash Credit | Long term | 6.00 | ACUITE BB+/Stable (Downgraded) |
| | Bank Guarantee | Short Term | 8.00 | ACUITE A4+ (Downgraded) |
| | Bank Guarantee | Short Term | 15.00 | ACUITE A4+ (Downgraded) |
| 28-Nov-16 | Cash Credit | Long term | 2.00 | ACUITE BBB-/Stable (Assigned) |
| | Cash Credit | Long term | 6.00 | ACUITE BBB-/Stable (Assigned) |
| | Bank Guarantee | Short Term | 8.00 | ACUITE A3 (Assigned) |
| | Bank Guarantee | Short Term | 15.00 | ACUITE A3 (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 | Not Applicable | Not Applicable | Not Applicable | 2.00 | ACUITE BB+/ Stable (Reaffirmed) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 6.00 | ACUITE BB+/ Stable (Reaffirmed) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 8.00 | ACUITE A4+ (Reaffirmed) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 15.00 | ACUITE A4+ (Reaffirmed) |

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About Acuité Ratings & Research:

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