

Press Release

Schenck Process Solutions India Private Limited

December 31, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs.36.50 Cr. (Enhanced from Rs.31.00 crore)
Long Term Rating	ACUITE BBB- / Outlook: Stable (Upgraded from ACUITE BB+/ Stable)
Short Term Rating	ACUITE A3 (Upgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE BBB-**' (**read as ACUITE triple B minus**) from '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating to '**ACUITE A3**' (**read as ACUITE A three**) from '**ACUITE A4+**' (**read as ACUITE A four plus**) to the bank facilities of the Rs. 36.50 crore of SCHENCK PROCESS SOLUTIONS INDIA PRIVATE LIMITED (SPSIPL). The outlook is '**Stable**'.

The rating upgrade reflects improvement in group's business risk profile marked by improvement in profitability margins during FY2018 and revenues of the group are expected to improve in near term backed by healthy order book position of around Rs.270.00 crore as on November, 2018. While, the operating profitability (EBITDA) margins improved to 5.81 percent during 2017-18 from negative 1.00 percent in the previous year, on account of scaling up of operations in Schenck Process Solutions (India) Private Limited. Further, the upgrade also reflects group's healthy financial risk profile marked by moderate net worth, low gearing and healthy debt protection metrics.

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, Acuité 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).

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, and screening and separation systems; weighing and feeding electronics, weighing/force sensors and accessories, spare parts and components, and consumables.

Key Rating Drivers

Strengths

• Experienced management and reputed clientele

The group is managed by Ms. Guna Thantry, Mr. Sunil Sheshagirirao Potdar, Mr. Aji Philip, Mr. Andreas Ernst Evertz and Mr. Heinz Eric Jaschke. The management has experience of over two decades in this industry. The extensive experience of promoters has enabled the group to establish healthy relations with reputed customers. Also, the group has track record of executing projects for various reputed clientele such as Tata Steel Limited, Spectrum Coal & Power Limited, Gerdau Steel India Private Limited, NTPC Limited, Cethar Limited, Jindal Steel & Power Limited and Mitsubishi Hitachi Power Systems, among others. Acuité

believes that the group will sustain the existing business profile over the medium term on the back of extensive experience of the management and reputed clientele.

- **Strong support from the parent company**

The Indian group, being part of global Schenck Process group, will continue to remain benefited in terms of adequate technical know-how, raw material procurement support 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.

- **Healthy financial risk profile**

The group's healthy financial risk profile is marked by moderate net worth, low gearing and healthy debt protection measures. The net worth of the group has remained moderate at Rs.94.56 crore as on March 31, 2018 as against Rs.93.56 as on 31st March, 2017. The gearing stood constant at 0.04 times for both FY2018 and FY2017. The total debt of Rs.3.66 crore in FY2018 comprises only working capital borrowings. Debt Protection metrics of Interest Coverage Ratio (ICR) and Net Cash Accruals to Total Debt (NCA/TD) stood comfortable at 4.01 times and 0.69 times in FY2018. Further, TOL/TNW stood at same level of 0.82 times for both FY2018 and FY2017. Acuité believes that the financial risk profile of group is expected to be healthy over the medium term on account of absence of any debt funded capex plan.

Weaknesses

- **Working capital intensive cycle**

The operations of group are working capital intensive in nature as reflected in Gross Current Assets (GCA) of around 301 days as on March 31, 2018 as against 341 days as on March 31, 2017. The GCA days are high due to high receivable days of 155 as on March 31, 2018 as compared to 177 days as on March 31, 2017. The collection period is high mainly on account of time overrun in projects. Correspondingly, the group gets extended credit period from its suppliers which moderates the working capital requirement partially. The group is utilising its working capital borrowings at the level of 60 percent for the past six month ended November 2018. Acuité believes that 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

Acuité believes that the outlook on the group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and support from its Schenck Group. The outlook may be revised to 'Positive' if the group registers substantial and sustained improvement in its profitability margins while maintaining growth in revenue. 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 particularly its liquidity, most likely as a result of further stretch in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	167.35	142.48	224.51
EBITDA	Rs. Cr.	9.72	(1.42)	8.36
PAT	Rs. Cr.	0.92	(5.67)	0.19
EBITDA Margin	(%)	5.81	(1.00)	3.73
PAT Margin	(%)	0.55	(3.98)	0.08
ROCE	(%)	8.56	(4.79)	3.44
Total Debt/Tangible Net Worth	Times	0.04	0.04	0.14
PBDIT/Interest	Times	4.01	(1.20)	1.42
Total Debt/PBDIT	Times	0.37	(1.05)	2.37
Gross Current Assets (Days)	Days	301	341	267

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <http://acuite.in/view-rating-criteria-22.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
04-Jul-18	Cash Credit	Long term	2.00	ACUITE BB+/Stable (Reaffirmed)
	Cash Credit	Long term	6.00	ACUITE BB+/Stable (Reaffirmed)
	Bank Guarantee	Short Term	8.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A4+ (Reaffirmed)
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)

***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 BBB-/ Stable (Upgraded from ACUITE BB+/ Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00 (Enhanced from Rs.6.00 crore)	ACUITE BBB-/ Stable (Upgraded from ACUITE BB+/ Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50 (Enhanced from Rs.8.00 crore)	ACUITE A3 (Upgraded from ACUITE A4+)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 (Upgraded from ACUITE A4+)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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