

Press Release

Schenck Process Solution India Private Limited

20 March 2020

Rating reaffirmed



Total Bank Facilities Rated*	Rs. 36.50 Cr.
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed Long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and reaffirmed the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.36.50 crore of bank facilities of Schenck Process Solution India Private Limited (SPISL).

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 specialized 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.

About 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.

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

Experienced management and healthy revenue growth

The group is managed by experienced personnel such as Mr Rajesh Pathak and Ms Guna Thantry. The management has experience of more than two decades in this industry. The extensive experience of promoters has enabled the group to establish healthy relations with reputed customer. Also, the group has track record of executing projects for various reputed clientele such as Tata Steel Limited, NTPC Limited, JSW Steel Limited, Jindal Steel & Power Limited and Mitsubishi Hitachi Power Systems, among others. Schenck group had registered healthy revenue growth during last 3FYs. Revenue stood at Rs.262.34 crore during FY2019 as against Rs.167.35 crores in FY2018. This growth was driven by execution of additional orders from Raymond snow Holding LLC. Acuite believes revenue of group will continue to improve during FY20 also as Group has already achieved a revenue of Rs 232.77 crores till December 2019.

Healthy financial risk profile

The financial risk profile of the group is marked by healthy net worth, comfortable gearing and healthy debt protection metrics. The net worth of the group stood at Rs.106.65 crore in FY2019 as compared to Rs.94.56

crore in FY2018. This improvement in Networth is mainly due to retention of current year profit and infusion of quasi equity. In FY19, the company has issued Rs. 35.76 crores of compulsory convertible debentures which has been treated as quasi equity by Acuite. During FY19, there was addition of unsecured convertible debenture to fund the acquisition of business from its competition. So debenture capital is treated as Quasi Equity. The gearing levels of the group stood at NIL in the absence of any external debt as on March 31, 2019. Interest coverage ratio (ICR) is comfortable and stood at 7.23 times in FY2019 as against 4.01 times in FY 2018. Acuite believes the financial risk profile of the group will remain healthy on account of no major capex over the medium term.

Weaknesses

Working capital intensive nature of operation

The operations of group are working capital intensive in nature as reflected in Gross Current Assets (GCA) of around 293 days as on March 31, 2019 as against 301 days as on March 31, 2018. The GCA days are high due to high receivable days of 151 as on March 31, 2019 as compared to 155 days as on March 31, 2018. Debtor level has been always as group offer high credit days to its customers. Acuite believes group will continue to have high working capital requirement in medium term.

Rating Sensitivity

- Sustenance of revenue growth while maintaining profitability
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

Schenck Group has adequate liquidity profile as reflected from its healthy net cash accrual of Rs17.07 crores during FY19 as against no debt repayment obligations. In addition, company has almost zero utilization of fund-based limits during last 6 months. Group has high cash & balance of Rs 22.00 crores during FY19. Acuite believes the liquidity profile is expected to remain adequate backed by healthy net cash accrual and no major capex plan in medium term.

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, experienced management and support from its parent company named Schenck Process Holding GmbH. 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 - Consolidated

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	262.34	167.35
PAT	Rs. Cr.	9.84	0.92
PAT Margin	(%)	3.75	0.55
Total Debt/Tangible Net Worth	Times	NA	0.04
PBDIT/Interest	Times	7.23	4.01

About the Rated Entity - Standalone

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	226.15	136.11
PAT	Rs. Cr.	16.41	7.63
PAT Margin	(%)	7.26	6.16
Total Debt/Tangible Net Worth	Times	0.27	0.51
PBDIT/Interest	Times	7.28	6.01

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>
- 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
31-December-2019	Cash Credit	Long Term	2.00	ACUITE BBB-/Stable (Upgraded)
	Cash Credit	Long Term	9.00	ACUITE BBB-/Stable (Upgraded)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Upgraded)
	Bank Guarantee	Short Term	8.50	ACUITE A3 (Upgraded)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Upgraded)
04-Jul-18	Cash Credit	Long Term	2.00	ACUITE BBB-/Stable (Upgraded)
	Cash Credit	Long Term	9.00	ACUITE BBB-/Stable (Upgraded)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Upgraded)
	Bank Guarantee	Short Term	8.50	ACUITE A3 (Upgraded)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Upgraded)
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	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	January 2022	2.00	ACUITE BBB-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB-/Stable (Reaffirmed)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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