

Press Release

Solaroy Engineers Private Limited (SEPL)

May 28, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 7.20 Crore
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the 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.7.20 crore bank facilities of Solaroy Engineers Private Limited. The outlook is '**Stable**'.

Further, SMERA has withdrawn the short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.2.25 crore facilities of the company.

The Mumbai-based, Solaroy Engineers Private Limited (SEPL) was incorporated in 1986 by Mr. Aroop Roy and Mrs. Carole L. Roy. The company is engaged in the trading of rescue systems and firefighting equipment along with rendering of services related to the said products. The company imports these firefighting equipment from Austria, U.K., France, and China to name a few and supplies to Government entities.

Key rating drivers

Strengths:

Established track record of operations and experienced management

The company was incorporated in 1986 and has been able to establish strong ties with its customers. Mr. Aroop Roy (Managing Director) and Mrs. Carole L. Roy (Director) have over three decades of experience in the industry.

Weaknesses:

Modest scale of operations and profitability

SEPL has modest scale of operations with operating income of Rs.5.25 crore in FY2017 and Rs.2.64 crore in the previous year. The company has reported operating income of Rs.4.90 crore in FY2018 (Provisional). The operating margins improved to 5.06 percent in FY2017 from 1.47 percent in FY2016. The company had incurred net loss in FY2017 due to high finance cost.

Weak financial risk profile

The financial risk profile continues to remain weak marked by tangible network of Rs.0.84 crore as on 31 March, 2017 as against Rs.0.80 crore as on 31 March, 2016. The gearing stood at 2.89 times as on 31 March, 2017 as against 3.04 times as on 31 March, 2016. The total debt of Rs.2.41 crore as on 31 March, 2017 comprises of Rs.0.48 crore of term loan and Rs.1.93 crore of working capital borrowing. The Interest Coverage Ratio (ICR) stood at 1.08 times in FY2017 as against 0.23 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 0.93 times in FY2017 as against 0.47 times in FY2016. SMERA believes that the company's weak financial risk profile will continue to impinge on the credit profile.

Working capital intensive operations

The operations are working capital intensive as reflected in Gross Current Assets of 205 days in FY2017 as against 452 days in FY2016. This is mainly on account of high inventory of 154 days in FY2017 as

against 273 days in FY2016. SEPL had debtors of 37 days and 108 days in FY2017 and FY2016 respectively.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of SEPL to arrive at the rating.

Outlook- Stable

SMERA believes that SEPL will maintain a 'Stable' business risk profile over the medium term on the back of established track record and experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues and profitability leading to improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant elongation in working capital cycle or further decline in scale of operations or deterioration in profitability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	5.25	2.64	3.27
EBITDA	Rs. Cr.	0.27	0.04	0.31
PAT	Rs. Cr.	(0.00)	(0.20)	0.02
EBITDA Margin	(%)	5.06	1.47	9.35
PAT Margin	(%)	(0.08)	(7.54)	0.57
ROCE	(%)	13.05	1.12	11.36
Total Debt/Tangible Net Worth	Times	2.89	3.04	2.18
PBDIT/Interest	Times	1.08	0.23	1.42
Total Debt/PBDIT	Times	5.63	33.12	5.61
Gross Current Assets (Days)	Days	205	452	332

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading entities - <https://www.smera.in/criteria-trading.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)

Date	Name of Facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
06-July-2017	Cash Credit	Long Term	1.50	SMERA B- (Indicative)
	Bank guarantee/ Letter of Guarantee	Short Term	1.70	SMERA A4 (Indicative)
	Letter of credit	Short Term	1.15	SMERA A4 (Indicative)
	Letter of credit	Short Term	2.25	SMERA A4 (Indicative)

	Proposed Bank Facility	Long Term	0.60	SMERA B- (Indicative)
08-Mar-2016	Cash Credit	Long Term	1.50	SMERA B- /Stable (Assigned)
	Bank guarantee/ Letter of Guarantee	Short Term	1.70	SMERA A4 (Assigned)
	Letter of credit	Short Term	1.15	SMERA A4 (Assigned)
	Letter of credit	Short Term	2.25	SMERA A4 (Assigned)
	Proposed Bank Facility	Long Term	0.60	SMERA B- /Stable (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	1.84	SMERA B-/Stable (Reaffirmed)
Bank guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4 (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4 (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.25	SMERA A4 (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.86	SMERA B -/Stable (Reaffirmed)

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ABOUT SMERA

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