

Press Release

Sulax Technologies Private Limited (STPL)

29 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.56 Cr.
Long Term Rating	SMERA BB/ Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs. 9.56 crore bank facilities of SULAX TECHNOLOGIES PRIVATE LIMITED (STPL). The outlook is '**Stable**'.

The Bangalore-based STPL was incorporated in 2014 by Mr. Laxminarayan Sherugar and Ms. Sumana M. The company is engaged in the manufacture of sheet metal components, elevator parts, power generator units, power panels and railway cabins at Jigani.

Key rating drivers

Strengths

Experienced management

STPL was incorporated in 2014. The company is led by Mr. Laxminarayan Sherugar and Ms. Sumana M. who possess more than two decades of experience in the said line of business. The company is part of the Mallik Engineering group of companies engaged in the manufacturing of diverse engineering products.

Reputed customer base

The company caters to various public sector companies including ABB Limited, Faiveley Transport Rail Technologies India Limited, Bharat Heavy Electricals Limited among others.

Comfortable working capital operations

The working capital operations are comfortable with GCA of 80 days in FY2017 on account for low debtor and inventory levels of 32 and 35 days respectively. The average working capital utilisation for the past six months has been around 59 percent ended December 2017.

Weakness

Small scale of operations

The scale of operations is limited with operating income of Rs.23.80 crore in FY2017 as against Rs.13.57 crore in the previous year. Further, as informed by the management, STPL reported Rs.32 crore for the period April to December 2017.

Average financial risk profile marked by low net worth and high gearing

The financial risk profile of STPL is average marked by low tangible net worth of Rs. 2.70 crore as on 31 March, 2017 as against Rs.1.58 crore as on 31 March, 2016. The gearing stood at 3.30 times as on 31 March, 2017 as against 0.36 times as on 31 March, 2016. The debt of Rs.8.91 crore consists of term loans of Rs.7.61 crore and short term borrowings of Rs.1.30 crore as on 31 March, 2017.

The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 5.20 times as on 31 March, 2017 as against 2.11 times as on 31 March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.21 times in FY2017 as against 2.29 times in FY2016.

Competitive and fragmented industry

STPL operates in a highly competitive and fragmented industry characterised by a large number of unorganised players affecting margins.

Analytical approach:

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

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.80	13.57	2.83
EBITDA	Rs. Cr.	2.42	1.81	0.37
PAT	Rs. Cr.	1.16	0.98	0.10
EBITDA Margin	(%)	10.16	13.35	13.12
PAT Margin	(%)	4.86	7.24	3.61
ROCE	(%)	25.14	82.97	19.52
Total Debt/Tangible Net Worth	Times	3.30	0.36	14.18
PBDIT/Interest	Times	19.80	91.25	81.05
Total Debt/PBDIT	Times	3.67	0.31	4.10
Gross Current Assets (Days)	Days	80	88	273

Any other information:

Not Applicable

Applicable Criteria

- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

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

None

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB/ Stable
Term Loans	Not Applicable	Not Applicable	Not Applicable	5.19	SMERA BB/ Stable
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.68	SMERA BB/ Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.69	SMERA BB/ Stable

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