

Press Release



Sri Balaji Assemblies And Plastics Private Limited (SBAPPL)

02 May, 2018

Rating Re-affirmed

Total Bank Facilities Rated*	Rs. 39.00 Cr.
Long Term Rating	SMERA BBB-/ Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has re-affirmed the long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) and '**SMERA A3**' (read as SMERA A three) on the Rs. 36.75 crore bank facilities of Sri Balaji Assemblies & Plastics Private Limited (SBAPPL). SMERA has also assigned long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) on the Rs 2.25 crs of bank facilities. The outlook is '**Stable**'.

Established in 1988 as a proprietorship firm Sri Balaji Assemblies And Plastics Private Limited was later reconstituted in 2003 as a private limited company. The company is primarily catering to the auto electrical industry and is engaged in assembling of automotive wiring harness, cover and brush plate, ignition coils. In addition the company is also manufacturing electrical panels and pumps for power sub stations and agricultural industry. The company was promoted by Mr. D. Sridhar and currently the business is headed by the four brothers namely Mr. D. Sridhar, Mr. L. Narasimhan, Mr. D. Parthasarathy and Mr. D. Sundarraj.

Key Rating Drivers

Strengths

Experienced management and long track record of operations- The promoters have a long track record of experience of nearly three decades in the auto ancillary industry.

Established relationship with reputed customers – SBAPPL has over two decades of established relationship with Lucas TVS Limited for its auto ancillary components. In addition the company is catering to the reputed client base in the form of General Electric, Areva T&D Limited, Grease Cotton Limited, Schneider Electric Limited and Bosch India Limited in the electrical, electronics, and agriculture industries since last decade.

Healthy financial risk profile- SBAPPL's healthy financial risk profile is marked by healthy debt protection metrics, moderate gearing and net worth. The interest coverage and debt service coverage ratios stands healthy at 3.25 times and 2.79 times respectively in FY2017 as compared to 2.92 times and 2.50 times respectively in FY2016. The gearing is moderate and stood at 1.56 times in FY2017 as against 1.39 times in FY2016. The net worth stands moderate at Rs 18.14 crs in FY 17 as compare to Rs 16.25 crs in FY 16. The NCA/TD stands comfortable at 0.13 times in FY 2017 as against 0.14 times in FY 2016.

Stable growth in revenue and net cash accruals - The scale of operations is increased to Rs 114.03 crs in FY 2017 from Rs 94.85 crs in FY 2014 thereby registering a cumulative annual growth rate of 6.33 per cent in the

last 3 years. The rise in operating income is mainly on account of increase in order execution from its existing customers. The growth in revenue has resulted in rise in net cash accruals which increased to Rs 3.73 crs in FY 2017 from Rs 2.26 crs in FY 2014. During the current year, revenue further increased to ~ Rs 154 cr in FY 2018 (prov).

Prudent Working Capital Cycle- The company has a prudent working capital cycle marked by Gross Current Asset (GCA) days of 108 in FY 2017 and as against 109 days in FY 2016. GCA days emanates from collection period and inventory holding period of 60 days and 32 days respectively in FY17 as against 71 days and 34 days respectively in the previous year. The company on an average utilizes around 80-85 per cent of its bank limit utilization.

Weaknesses

Customer Concentration- SBAPPL has concentration risk with around 60 per cent of its revenue from a single customer in the form of Lucas TVS Limited. In addition the company's fortune is largely dependent on the automobile industry which is forming around ~ 70-75 per cent of its total revenue. However, the same is partly mitigated with the established relationship with over two decades with Lucas TVS limited. In addition, the company is in the process of diversifying its product line to a larger extent through power sector and electrical items.

Volatility in raw-material prices- The major raw-material used by the company is copper; domestic prices of the copper follow the international trends which are influenced by the global (LME) demand & supply. Any adverse movement in the raw material prices can affect the margins of the company considering the fact that raw material costs constituted on an average nearly 75 % of the total revenue during the review period.

Analytical Approach

For arriving at the ratings SMERA has considered the standalone financial performance and financial risk profile of SBAPPL.

Outlook: Stable

SMERA believes SBAPPL will continue to benefit over the medium term from its experienced management and established relationship with customers. The outlook may be revised to 'Positive' in case the company diversifies its client base and registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and maintaining its working capital management. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues leading to a fall in the margins, or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	114.03	102.45	98.89
EBITDA	Rs. Cr.	6.70	6.32	5.15
PAT	Rs. Cr.	1.89	1.53	0.90
EBITDA Margin	(%)	5.87	6.17	5.21
PAT Margin	(%)	1.65	1.49	0.91
ROCE	(%)	11.53	11.36	9.95
Total Debt/Tangible Net Worth	Times	1.56	1.39	1.74
PBDIT/Interest	Times	3.25	2.92	1.89
Total Debt/PBDIT	Times	4.19	3.57	5.20
Gross Current Assets (Days)	Days	108	109	121

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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 Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28 th -June-2017	Cash Credit	Long Term	23.00	SMERA BBB-/Stable (Assigned)
	Term Loan I	Long Term	3.37	SMERA BBB-/Stable (Assigned)
	Term Loan II	Long Term	1.88	SMERA BBB-/Stable (Assigned)
	Stand By Line of Credit	Short Term	2.00	SMERA A3 (Assigned)
	Proposed Long Term Loan	Long Term	0.25	SMERA BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	1.00	SMERA A3 (Assigned)
	Letter of Credit	Short Term	1.00	SMERA A3 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	26.00	SMERA BBB-/Stable (Re-affirmed)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	3.02	SMERA BBB-/Stable (Re-affirmed)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	1.78	SMERA BBB-/Stable (Re-affirmed)
Term Loan III	Not Applicable	Not Applicable	Not Applicable	2.25	SMERA BBB- (Assigned)
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A3 (Re-affirmed)

Proposed	Not Applicable	Not Applicable	Not Applicable	0.95	SMERA BBB-/Stable (Re-affirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3 (Re-affirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3 (Re-affirmed)

Contacts

Analytical	Rating Desk
Suman Chowdhury President – SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in
Aniruddha Dhar Rating Analyst Tel: 033-66201209 aniruddha.dhar@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

