

Press Release

Industrial Manufacturers (IM)

06 July, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 25.00 Cr
Long Term Rating	SMERA B+/Outlook : Stable
Short Term Rating	SMERA A4

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.25.00 crore bank facilities of Industrial Manufacturers (IM). The outlook is '**Stable**'.

Industrial Manufacturers (IM), a partnership firm established in 1959 is engaged in the designing, engineering, fabrication, installation and commissioning of process equipments for oil and gas, chemicals, refineries, fertiliser industries. The firm is led by Mr Ravitej Kapadia, Mr Rajnikant Mody and their respective families. The fabrication facilities are located at Navi Mumbai.

List of key rating drivers and their detailed description

Strengths

Long track record of operations and experienced management

The firm has been in operation since 1959. Mr Ravitej Kapadia, Mr Rajnikant Mody and their respective families have experience of over three decades in the industry and are actively involved in the business. The long track record of operations has helped the firm establish healthy relationships with suppliers and reputed customers such as Linde Engineering India Private Limited, IOCL, Reliance Industries Limited, BPCL, to name a few.

Moderate financial risk profile

The financial risk profile is moderate marked by networth of Rs.16.76 crore as on March 31, 2017 (provisional) as against Rs.18.50 crore as on March 31, 2016. The total debt of Rs.5.50 crore mainly consists of short term debt, thus providing a comfortable capital structure with gearing of around 0.33 times as on 31 March, 2017(provisional) as against 0.48 times as on 31 March 2016. The TOL/TNW ratio also stood comfortable at 0.48 times as on 31 March, 2017.

The interest coverage also stood moderate at 2.29 times in FY2017 (provisional) as against 1.59 times in FY2016.

Weaknesses

Modest scale of operations

The firm has modest scale of operations with revenues of around Rs.28.82 crore in FY2017 (provisional) as against Rs.14.17 crore in FY2016. Further as on 20 June, 2017 the firm has booked

revenues of ~Rs.18.00 crore and has orders worth Rs.11.55 crore, thus providing moderate term revenue visibility.

Working capital intensive operations

The operations are working capital intensive with Gross Current Assets high at 222 days in FY2017 (provisional) mainly driven by debtors of 90 days and inventory of 72 days.

Capital withdrawal risk

IM being a partnership firm is exposed to the inherent risk of capital withdrawal, which may have an impact on the credit profile.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the firm to arrive at the ratings.

Applicable Criteria

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

Outlook: Stable

SMERA believes that IM will continue to benefit over the medium term on account of the experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected revenues and improved profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or deterioration in the financial risk profile owing to higher than expected working capital requirements.

About the Rated Entity

For FY2016-17 (provisional), IM reported net profit of Rs.0.28 crore on operating income of Rs.28.82 crore, as compared to net profit of Rs.0.23 crore on operating income of Rs.14.17 crore in FY2015-16.

Status of non-cooperation with previous CRA (if applicable): ICRA in the press release dated August 09, 2016 has suspended the rating of Industrial Manufacturers and has stated the following "The suspension follows ICRA's inability to carry out a rating surveillance in the absence of the requisite information from the company"

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	5.00	SMERA B+ (Assigned)	-	-	-	-	-	-
Inland Letter of Credit	ST	5.00	SMERA A4 (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	15.00	SMERA A4 (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	NA	NA	NA	5.00	SMERA B+ (Assigned)
Inland Letter of Credit	NA	NA	NA	5.00	SMERA A4 (Assigned)
Bank Guarantee	NA	NA	NA	15.00	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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