

Press Release

Smart Stainless Tubes Private Limited

July 06, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 13.16 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 13.16 crore bank facilities of Smart Stainless Tubes Private Limited. The outlook is '**Stable**'.

Smart Stainless Tubes Private Limited (SSTPL) promoted by Mr. Krishan Mohta and family, is engaged in the manufacturing of non-corrosive stainless steel tubes. The manufacturing facility is located at Madhaymgram, Kolkata with installed capacity of 4800 tonnes per annum.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr Krishan Mohta and family have more than two decades of experience in the steel industry.

- **Average financial risk profile**

The average financial risk profile is marked by high gearing, low networth and average debt protection metrics. The debt equity stands at 3.44 times and low networth of Rs 4.96 cr as on 31st March, 2016. The total debt of Rs 17.03 cr consists of long term loan of Rs 5.63 cr, unsecured loan of Rs 5.46 cr and short term debt (cash credit facility) of Rs 5.94 cr. The interest coverage stood at 1.70 times in FY2016. Moreover, the net cash accruals to total debt (NCA/TD) is at 0.05 times in FY2016. However the gearing level improved in FY2017 (Provisional) to 2.01 times from 3.44 times in FY2016 due to repayment of term debt obligations and addition of equity share capital which increased the networth from Rs 4.56 cr in FY2016 to Rs 6.38 cr in FY2017 (Provisional).

Weaknesses

- **Modest scale of operations**

While revenue of increased to Rs 28.89 crore in FY2016 from Rs 19.90 crore in FY2015 registering a 58 per cent growth, the scale of operations to be modest. For FY2017 (Provisional) the company earned revenue of Rs 45 crore. SMERA expects the scale of operations to improve over the medium term with the stabilization of its operations.

- **Moderate working capital management**

The working capital management is marked by Gross Current asset days of 139 in FY2016 compared to 225 in FY2015. The inventory days stood at 64 in FY2016 compared to 60 in FY2015. While its debtor days stood at 19 in FY2016, compared to 127 in FY2015. The debtor days stood high in its initial years of operations. The creditor days stood low at 19 in FY2016 compared to 135 in FY2015. This has led to 86 per cent utilisation of CC facility in the last six months ended March, 2017.

- **Thin profit margin**

The profit margins of the company are thin. The company registered net profit margin of .57 per cent in FY2016 as against 0.71 per cent in FY2015 on account of high interest cost and depreciation.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that SSTPL will maintain a stable outlook and continue to benefit over the medium term from the promoter's vast experience in the steel industry. The outlook may be revised to 'Positive' in case the company achieves more than envisaged sales and profitability while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and the financial risk profile deteriorates owing to higher- than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

The company has reported Profit After Tax (PAT) of Rs 0.17 cr on operating income of Rs 28.89 cr in FY2015-16 compared to PAT of Rs 0.14 cr on operating income of Rs 19.90 cr in the previous year.

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>

Note on complexity levels of the rated instrument

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

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.10	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2021	4.81	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4+

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