

Press Release

SHREE NAKODA INFRASTEEL PRIVATE LIMITED

March 15, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 11.00 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**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 11.00 crore bank facilities of SHREE NAKODA INFRASTEEL PRIVATE LIMITED. The outlook is '**Stable**'.

Shree Nakoda Infrasteel Private Limited (SNIPL) was incorporated in 2010 by Mr. Pankaj Kumar Suriya, Mr. Alpesh Kumar Suriya and Mr. Ankit Kumar Suriya. SNIPL is engaged in manufacturing of process plant equipment, material handling equipment, pollution control equipment, power plant equipment, steel structure, fabrication and machineries for cement, sugar, automobile, underground mining, chemical and metallurgical industries. Further the company also undertakes fabrication and erection of Pre-Engineered Buildings (PEB). The manufacturing facility of the company is located in Bhilwara (Rajasthan) and is spread over an area of 20000 square meters. The company is having installed capacity of 300 tonnes per month and is expected to further increase to 360 tonnes per month.

Key Rating Drivers

Strengths

• Experienced Management

The directors of the company Mr. Pankaj Kumar Suriya, Mr. Alpesh Kumar Suriya and Mr. Ankit Kumar Suriya have experience of more than a decade in the same line of business through other companies. This long experience has helped them establish relationships with their key suppliers and customers.

• Reputed clientele base

The company has a reputed client base comprising of Hindusthan Zinc Limited, Shree Cement Limited, Thyssenkrupp Industries India Limited, Shaft Sinkers India Private Limited, Durr India Private Limited, ISGEC Heavy Engineering Limited etc.

Weaknesses

• Average financial risk profile

SNIPL is having average financial risk profile marked by low net worth, high gearing and moderate debt protection metrics. The networth stood at Rs.3.62 crores as on 31 March 2017 as against Rs.3.37 crore in the previous year. The gearing levels stood high at 3.42 times as on 31 March 2017 as compared to 2.66 times as on 31 March 2016. Total debt of Rs.12.38 includes interest bearing unsecured borrowings of Rs.6.84 crore and Rs.0.39 crore of outstanding term loan, short term borrowings of Rs.4.73 crores. Interest Coverage Ratio (ICR) stands at 1.46 times for FY2017 as compared to 1.49 times for FY2016. DSCR stands at 1.02 times for FY2017 as compared to 0.81 times for FY2016. The TOL/TNW stood at 4.36 times as on 31st March 2017 as against 3.11 times in the previous year.

• Working capital intensive operations

SNIPL operations are working capital intensive in nature, which can be seen from high gross current assets (GCAs) of 174 days as on 31st March 2017 as against 140 days in the previous year. The reason for the same

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is on account of increase in debtor days of 64 in FY2017 as against 11 days in the previous year. The reason for increase in debtor days is due to late payment from Shaft Sinkers India Private Limited. Further, the inventory days stood at 113 days as on 31st March 2017 as against 126 days in the previous year. The company maintains high inventory levels of raw materials in order to meet customer demands.

Analytical Approach

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

Outlook: Stable

Outlook - Stable SMERA believes that SNIPL will continue to benefit over the medium term on account of the extensive experience of its promoters and reputed clientele base. The outlook may be revised to 'Positive' in case the company registers substantial increase in its healthy revenue growth or significant improvement in its capital structure resulting from considerable equity infusion by its promoters and repeated orders from reputed customers. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in company's significant deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	24.24	17.39	13.50
EBITDA	Rs. Cr.	1.89	1.48	1.35
PAT	Rs. Cr.	0.25	0.15	0.09
EBITDA Margin	(%)	7.78	8.50	10.03
PAT Margin	(%)	1.03	0.87	0.69
ROCE	(%)	11.53	9.60	16.89
Total Debt/Tangible Net Worth	Times	3.42	2.66	3.03
PBDIT/Interest	Times	1.46	1.49	1.45
Total Debt/PBDIT	Times	6.43	6.03	7.21
Gross Current Assets (Days)	Days	174	140	216

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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
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Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.47	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.53	SMERA BB / Stable

Contacts

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ABOUT SMERA

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