

Press Release

Sandeep Metalcraft Private Limited (SMPL)

05 February, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 21.50 Cr.
Long Term Rating	SMERA BBB+ / Stable
Short Term Rating	SMERA A2

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB+**' (read as **SMERA triple B plus**) and short term rating of '**SMERA A2**' (read as **SMERA A two**) to the above mentioned Rs. 21.50 crore bank facilities of Sandeep Metalcraft Private Limited (SMPL). The outlook is '**Stable**'

The Nagpur-based, Sandeep Metalcraft Private Ltd (SMPL), incorporated in 1988 manufactures fuzes used in ammunition, artery shells, safety locks among others. The company is led by Mr Shyam Agrawal (Managing Director), Mr. Mahesh Ramvallabh Poddar, Mr. Krishna Swaroop and Mr. Dwijendra Nath Gupta (Directors). The company is a qualified vendor and enjoys ancillary status. The plant located at Nagpur (Maharashtra) is ISO 9001:2000 and AS 9100C (DUNS Number 65-056-2978) certified.

SMPL has diversified its customer base by supplying sub-assembly parts to automobiles and aerospace industries. The company enjoys virtual monopoly in certain products. Besides, the company also exports its products to Germany, USA, Israel and South Africa.

List of key rating drivers and their detailed description

Strengths

Strong financial risk profile

The financial risk profile is healthy marked by EBITDA margin of 21.30 percent and networth of Rs.20.22 crore as on 31 March, 2017 compared to 13.08 percent and networth of Rs.15.56 crore respectively as on 31 March, 2016. The adjusted gearing stood at 0.61 times as on 31 March, 2017 as against 0.56 times in the previous year. The Interest Coverage Ratio stood at 8.45 times and Debt Service Coverage Ratio (DSCR) at 4.73 times as on 31 March, 2017. The Total outside Liabilities/Total Net Worth stood at 1.17 times as on 31 March, 2017 as against 0.88 times as on 31 March, 2016.

Restricted-entry with limited competition

The entry barriers are high in the defence equipment segment. Companies with established track record of operations are preferred over new players as the industry focuses on high precision in equipments.

Experienced management

The Directors have extensive experience of over three decades in the said line of business.

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Healthy order book position:

SMPL has healthy order book position. In FY2017-18, SMPL booked revenue of Rs.39.44 crore upto 04 January, 2018.

Weaknesses

Customer concentration risk, high dependence on government spending

SMPL is exposed to customer concentration risk as 70 percent of revenue is generated from the top five customers and 70 percent of supplies are procured from top five suppliers. The operations are tender-based which further depend upon government spending.

Modest scale of operation:

The scale is modest despite operations commencing in 1988. The company registered operating income of Rs.45.15 crore in FY2016-17 compared to Rs.43.08 crore in FY2015-16.

Analytical approach:

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

Outlook – Stable

SMERA believes that SMPL will maintain a stable outlook over the medium term owing to its experienced management and long standing presence in the industry. The outlook may be revised to 'Positive' in case of substantial growth in scale of operations while maintaining healthy profit margins and comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profitability and deterioration in the financial risk profile.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	45.15	43.08	33.88
EBITDA	Rs. Cr.	9.62	5.63	3.65
PAT	Rs. Cr.	4.59	2.34	0.67
EBITDA Margin	(%)	21.3	13.08	10.78
PAT Margin	(%)	10.17	5.44	1.98
ROCE	(%)	29.08	19.57	21.82
Total Debt/Tangible Net Worth	Times	0.62	0.58	0.78
PBDIT/Interest	Times	8.45	4.93	2.50
Total Debt/PBDIT	Times	1.30	1.60	2.83
Gross Current Assets (Days)	Days	45.15	43.08	33.88

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>
- 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>

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	10.00	SMERA BBB+/Stable
Standby line of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA BBB+/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A2

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ABOUT SMERA

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