

Press Release

Sandeep Metalcraft Private Limited

January 29, 2020

Rating Withdrawn



Total Bank Facilities Rated*	Rs. 21.50 Cr. #
Long Term Rating	ACUITE BBB+ Withdrawn
Short Term Rating	ACUITE A2 Withdrawn

Refer Annexure for details

* The issuer did not co-operate; Based on best available information.

Acuite has withdrawn its long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating of '**ACUITE A2**' (read as '**ACUITE A two**') on the Rs. 21.50 crore bank facilities of SANDEEP METAL CRAFT PRIVATE LIMITED (SMCPL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC from the Bankers.

Nagpur-based, Sandeep Metal Craft Private Ltd (SMCPL) incorporated in 1988 by Mr Shyam Agrawal (Managing Director). Later on Mahesh Ramvallabh Poddar and Mr. Krishna Swaroop Dwijendra Nath Gupta (technical director) joined the board. SMPL is engaged in the manufacture of various products, catering primarily to the defence sector.

Analytical Approach

Acuite has considered standalone business and financial risk profile of the company to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management and long track record of operations:

SMPL was incorporated in 1988 by its promoter, Mr. Shyam Agrawal. Mr. Mahesh Ramvallabh Poddar and Mr. Krishna Swaroop Dwijendra Nath Gupta were later joined the board. The company has been in the business of manufacturing armaments used in weapons such as ex-fuzes, small caliber shells and so on, which are primarily used by the defence sector. SMPL has been operating for more than three decades where it has also catered to automobile, nuclear and aerospace industry. This has helped the company in establishing good relations to ensure continuous procurement of orders. The company has also previously worked with Ashok Leyland for the automobile sector and Hindustan Aeronautics in the aerospace industry.

• Healthy financial risk profile:

The financial risk profile is healthy marked by net worth and debt protection measures and low gearing. The net worth of SMPL stands at Rs. 37.44 crore as on March 31, 2019 as against Rs.28.50 crore as on March 31, 2018. The improvement in net worth is on account of healthy accretion to reserves. The company has followed a conservative financial policy as reflected by peak gearing of 0.62 times over the last three years through 2017-18. The gearing of the company has further improved to 0.22 times as on March 31, 2019 from 0.33 times as on March 31, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.35 times as on March 31, 2019 as against 0.59 times as on 31 March, 2018. The healthy revenue levels coupled with growing operating margins have resulted in low debt protection measures. Interest Coverage Ratio (ICR) improved to 16.46 times in FY2019 from 13.15 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 1.24 times as on March 31, 2019 as against 1.06 times as on March 31, 2018. Debt Service Coverage Ratio (DSCR) stood at 9.15 times for FY2019 as against 7.26 times in FY2018.

• **High entry barriers:**

Manufacturing of armaments for weapons and assembly parts is a highly regulated and monitored business in India. Catering to Indian Defence industry is kept highly confidential with regards to national security. The industry is bound by high entry barriers where the players and goods produced go through advanced security vetting and quality checks. This keeps the risk of increasing competition on a low. This is likely to keep the competition to SMPL low and help the company to expand the business and maintain their margins.

Weaknesses

• **Modest scale of operations due to niche category of industry:**

The goods produced by SMPL belong to a highly niche category and are manufactured using high precision. Since the products manufactured are majorly sold to Indian Defence industry, the growth in demand falls limited. Also, it adds a major customer concentration risk to the company with almost 60 percent of the revenue coming from a single customer. Further, revenue generated through exports are low. Even so, SMPL has registered an increase of revenue from Rs.45.15 crore in FY2017 to Rs.61.26 crore in FY2019. The operating margins have also improved from 21.30 percent for FY2017 to 24.32 percent for the 3 years ending FY2019.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	61.26	59.25
PAT	Rs. Cr.	9.00	8.42
PAT Margin	(%)	14.68	14.22
Total Debt/Tangible Net Worth	Times	0.22	0.33
PBDIT/Interest	Times	16.46	13.15

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Jul-2019	Cash Credit	Long Term	10.00	ACUITE BBB+ / Stable (Reaffirmed)
	Standby Line of Credit	Long Term	1.50	ACUITE BBB+ / Stable (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A2 (Reaffirmed)
30-Apr-2019	Cash Credit	Long Term	10.00	ACUITE BBB+ (Indicative)
	Standby Line of Credit	Long Term	1.50	ACUITE BBB+ (Indicative)
	Bank Guarantee	Short Term	10.00	ACUITE A2 (Indicative)
05-Feb-2018	Cash Credit	Long Term	10.00	ACUITE BBB+ / Stable (Assigned)
	Standby Line of Credit	Long Term	1.50	ACUITE BBB+ / Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A2 (Assigned)

#Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ Withdrawn
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB+ Withdrawn
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2 Withdrawn

**The issuer did not co-operate; Based on best available information.*

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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