

Press Release

STEP INDUSTRIES PRIVATE LIMITED

06 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 45.00 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 plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 45.00 crore bank facilities of STEP INDUSTRIES PRIVATE LIMITED (SIPL). The outlook is '**Stable**'.

Incorporated in 2011, SIPL is promoted by Mr. Mr. Ankit Tayal, Mr. Deepanshu Tayal, and Mr. Sunil Tayal. The company manufactures high voltage cable wires for discoms and undertakes EPC projects on tender basis since 2014. The manufacturing unit is located in Alwar, Rajasthan with a manufacturing capacity of 7000 km cable/ year.

Key Rating Drivers

Strengths

• Experienced management

SIPL, the erstwhile Brimson Cable Private Limited was acquired by its present promoter in 2011. The company is led by Mr. Ankit Tayal, Mr. Deepanshu Tayal and Mr. Sunil Tayal. The day-to-day operations are managed by Mr. Narendra Patni who possesses more than three decades of experience in supply chain management and construction activity.

• Healthy financial risk profile

SIPL exhibits healthy financial risk profile marked by adjusted net worth of Rs 32.29 crore as on 31 March, 2017 compared to Rs 19.57 crore as on 31 March, 2016. The adjusted debt-to-equity ratio stood at 0.19 times in FY2017 compared to 0.47 times in FY2016. The total debt constitutes Rs 4.01 crore of term loan and Rs 2.20 crore of bank overdraft as on 31 March, 2017. Further, the company has availed bank guarantee of Rs 19.50 crore. The Interest Coverage Ratio stood at 1.45 times for FY2017 compared to 1.33 times for FY2016.

• Healthy orders in hand

SIPL has a healthy order book in hand with a work value of Rs.208 crore to be executed in the medium term. The company has been executing EPC projects for the Government of Madhya Pradesh at Jabalpur wherein it has undertaken erection of electrical pole and laying of cable wires for electrification. The management is upbeat about garnering fresh work contracts of similar nature which would help sustain revenue growth over the medium term.

Weaknesses

• Tender based nature of business

SIPL's 60 percent revenue comes from EPC contracts and the rest from sale of cable wires. The tender based nature of revenue derived from EPC contracts results in fluctuating profit margins given the highly competitive and fragmented nature of industry. The changing policies of the government

can have a significant impact on the company's top line.

• Working capital intensive operations

SIPL's operations are working capital intensive reflected in the high GCA days of 330 in FY2017 as compared to 357 days in FY2016. The GCA days are mainly dominated by high debtors of 202 days in FY2017. The significant increase in debtors is mainly on account of delay in receivables from government entities. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of SIPL.

Outlook: Stable

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	58.23	32.73	42.62
EBITDA	Rs. Cr.	5.87	3.20	2.59
PAT	Rs. Cr.	0.87	0.17	0.20
EBITDA Margin	(%)	10.09	9.79	6.07
PAT Margin	(%)	1.50	0.53	0.48
ROCE	(%)	16.02	11.11	21.15
Total Debt/Tangible Net Worth	Times	0.19	0.47	0.73
PBDIT/Interest	Times	1.45	1.33	1.45
Total Debt/PBDIT	Times	1.06	2.85	3.17
Gross Current Assets (Days)	Days	330	357	275

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	29.50	SMERA A4+
Proposed Bank Facility	Not	Not	Not	8.50	SMERA BB+ /
	Applicable	Applicable	Applicable		Stable

Contacts

Analytical	Rating Desk
<p>Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in</p> <p>Swati Banthia Analyst - Rating Operations Tel: 022-67141116 swati.banthia@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.