

Press Release

Crystal Engineers

28 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Crore
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 double B minus) and short-term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 10.00 crore bank facilities of Crystal Engineers. The outlook is '**Stable**'.

Crystal Engineers (CE) was incorporated in 1990 by Mr. Satish P Bhagat and Mrs. Shubhada R Bhagat. It is engaged in manufacturing of pressure vessels, process equipments and caters to sugar industry. The manufacturing facility is located at Ahmednagar, Maharashtra. Due to droughts in Maharashtra in FY2017 and fewer orders from sugar industry the firm has diversified its business profile and currently the firm is catering to railways, nuclear, sugar, Original Equipment Manufacturers (OEM) etc.

Key rating drivers

Strengths

- **Established track record of operations and experienced management**

The firm was established in the year 1990 as a partnership firm by Mr. Satish P. Bhagat and Mrs. Shubhada R Bhagat. Mr. Bhagat has an experience of three decades in this field and Mrs. Bhagat has 18 years of experience in capital goods industry. The firm has established track record of almost three decades which has helped in building healthy relationship with its customers.

- **Average financial risk profile**

The financial risk profile of CE is moderate marked by net worth of Rs.9.19 crore as on 31 March, 2017 as against Rs. 6.68 crore as on 31 March, 2016. The gearing stood at 0.50 times as on 31 March, 2017 as against 0.52 times as on 31 March, 2016. The total debt of Rs. 4.62 crore outstanding as on 31 March, 2017 is working capital borrowing from the bank. Debt service coverage ratio stood at 1.56 times in FY2017 as against 1.99 times in FY2016. The net cash accruals stood at Rs. 0.50 crore in FY2017 as against Rs. 0.65 crore in FY2016.

- **Reputed customer base**

The firm has reputed customers and has order book position of Rs. 20.00 crore to be executed over the medium term.

Weaknesses

• Working capital intensive operations

The operations of CE are working capital intensive marked by GCA days of 492 in FY2017 as against 165 in FY2016. This is majorly on account of high inventory holding period of 235 days in FY2017 as against 28 days in FY2016. Also the receivable days are high at 181 in FY2017 as against 110 in FY2016. The average bank limit utilization stood at 94.73 percent for the average of six months ended February 2018. SMERA believes being into capital goods industry the high inventory and stretched receivables are inherent. The ability of the firm to manage its working capital cycle will be a key rating sensitivity.

• Uneven revenue trend

The firm has registered uneven trend in revenues during the period FY2015 to FY2017. The operating income stood at Rs. 9.90 crore in FY2017 as against Rs. 20.53 crore in FY2016 and Rs. 15.54 crore in FY2015. The reason for the revenue to be uneven is because the sugar industry was down due to droughts in Maharashtra in FY2017. Further, the firm has booked revenue of Rs. 20 crore for the period from April 2017 to February 2018 (Provisional) due to diversion in the existing business profile. SMERA believes that the firm will sustain the growth in revenues over the near to medium term.

• Highly fragmented and competitive industry

The firm operates in highly fragmented and competitive industry with limited entry barriers. The presence of large number of players in the unorganized sector limits the bargaining power of the firm with customers.

Analytical Approach

SMERA has considered standalone business and financial risk profile of CE to arrive at the rating.

Outlook- Stable

SMERA believes that Crystal Engineers will maintain a stable business risk profile on account of experienced management and diversified product profile. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving healthy profit margins and comfortable liquidity position. The outlook may be revised to 'Negative' in case of decline in the revenues or profitability and deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	9.90	20.53	15.54
EBITDA	Rs. Cr.	1.33	1.20	1.33
PAT	Rs. Cr.	0.21	0.45	0.71
EBITDA Margin	(%)	13.45	5.83	8.57
PAT Margin	(%)	2.15	2.21	4.55
ROCE	(%)	9.01	11.08	25.26
Total Debt/Tangible Net Worth	Times	0.50	0.52	0.64
PBDIT/Interest	Times	1.56	1.99	2.78
Total Debt/PBDIT	Times	3.36	2.74	2.66
Gross Current Assets (Days)	Days	492	165	252

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>
- 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
Working Capital	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA BB-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA BB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4 (Assigned)

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ABOUT SMERA

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