

Press Release

Seam Engineers (SE)

16 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.70 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned the long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 16.00 cr. bank facilities of Seam Engineers (SE). The outlook is '**Stable**'.

Nashik-based Seam Engineers established in 1982 as a partnership firm by Mr. Ashok Khatri, Mr. Dayal Showkatramani, K.D. Kewalramani and Mr. Chandar Kewalramani. The company is engaged into manufacturing of electrodes and copper alloy castings and forgings, cable guns. The company supplies to Nash Robotics & Automation Pvt Ltd and other companies in automotive industry.

Key rating drivers

Strengths

Experienced management and established track record of operations

Nash group promoted by Mr. Ashok Khatri, Mr. Dayal Showkatramani, K.D. Kewalramani and Mr. Chandar Kewalramani Mr. Girish Shamji Gala, Mr. Hemant Nanji Chheda and Mrs. Rekha Chetan Modi. Further group has a long presence in the market for more than two decades in aforementioned line of business. The promoters are having an industry experience of over three decades in the similar line of business which has resulted in developing healthy relations with various clienteles across the industry.

Healthy financial risk profile

NG has moderate financial risk profile marked by Tangible net worth of Rs. 36.58 crore as on 31st March, 2017 as against Rs. 31.66 crore in the previous year. The gearing (total debt to net worth) stood at 0.80 times as on 31st March, 2017 as against 1.12 times in the previous year. The debt of Rs. 29.20 crore mainly consists of working capital loans of Rs. 15.27 crore, term loan of Rs. 8.05 crore and unsecured loan of Rs. 4.05 crore and current portion of long term debt of Rs.1.82 crore as on 31 March 2017. Interest Coverage Ratio (ICR) stood at 4.23 times for FY 2017 as against 3.95 times in FY2016. Debt Service Coverage Ratio (DSCR) stood at 2.07 times for FY 2017 as against 2.18 times in FY2016. Total outside Liabilities/Tangible net worth (TOL to TNW) stood at 1.93 times as on 31st March, 2017 as against 1.99 times in FY2016. Net cash

accruals/total debt (NCA to TD) stood at 0.32 times as on 31st March, 2017 as against 0.23 times in FY2016. SMERA expects the financial risk profile to remain stable in medium term mainly due to increase in the net worth due to retention of profit in the business by the promoters and payback of the existing loans.

Healthy margins

The operating margins (EBITDA) of NG stood at 14.59 per cent in FY2017 as compared to 14.98 percent in FY2016 and 14.52 percent in FY2015. The net profit margins remained healthy at 5.36 per cent in FY2017 compared to 4.88 percent in FY2016.

SMERA expects that margins to improve in near to medium term on the back of additional income from new designs and product which will be manufactured for industry players and healthy order book position.

Reputed clientele and variety of services offered

With an industry experience of over three decades and with the ability to provide customized products for metallic and non-metallic capital goods, NG has developed healthy relations with various reputed customers like Mahindra & Mahindra, Tata Motors, Badve Engineering, Ashok Leyland and to name a few.

NG has also served various clients providing turnkey solutions in supplying various products for setting up the production plant. With the dedicated team force, NG has created strong base of customers in automobile and capital goods industries. It also exports to various countries such as South Africa, U.K, U.S.A. and Bangladesh

Weaknesses

Uneven revenue trend with expected growth in revenues

NG is having uneven revenue trend and moderate scale of operations marked by operating income of Rs. 94.62 crore in FY2017 as against Rs. 77.65 crore in FY2016 and Rs. 96.88 crore in FY2015. The uneven revenue trend was on account of halting of delivery of goods and stagnant demand. For the period April 2017 to December 2017, the group has booked revenues of Rs. 105.00 crore.

Working capital intensive operations

NG operations are working capital intensive marked by high GCA of 285 days in FY2017 compared to 275 days in FY2016. The GCA days are mainly dominated by inventory of 143 days in FY2017 as compared to 132 days in FY2016 and debtor days of 82 and 74 days in FY2017 and FY2016. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Competitive and fragmented industry

NG operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

Analytical approach:

SMERA has consolidated the business and financial risk profiles of Nash Robotics and Automation Private Limited (NRAPL), Seam Enginners (SE) and CEARS Dies & Moulds Private Limited (CDMPL) together referred to as the 'Nash Group' (NG). The consolidation is in view of the common management, strong operational & financial linkages between the entities and cross corporate guarantee between the two entities.

Outlook – Stable

SMERA believes NG outlook will remain Stable over medium term owing to its experienced management and long standing relationship with customers. The outlook may be revised to Positive if the company achieves higher than expected revenue and profitability while effectively managing its working capital cycle. Conversely the outlook may be revised to negative if the company registers significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	94.62	77.65	96.88
EBITDA	Rs. Cr.	13.80	11.64	14.06
PAT	Rs. Cr.	5.08	3.79	5.77
EBITDA Margin	(%)	14.59	14.98	14.52
PAT Margin	(%)	5.36	4.88	5.95
ROCE	(%)	15.45	12.23	32.94
Total Debt/Tangible Net Worth	Times	0.80	1.12	1.28
PBDIT/Interest	Times	4.23	3.95	4.46
Total Debt/PBDIT	Times	2.11	3.03	2.61
Gross Current Assets (Days)	Days	285	275	221

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

None

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>
- Consolidation - <https://www.smera.in/criteria-consolidation.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	3.50	SMERA BBB-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.20	SMERA BBB-/Stable (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A3 (Assigned)
ILC/FLC	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3 (Assigned)

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ABOUT SMERA

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