

## Press Release

### Simplex Castings Limited

24 April, 2018

### Rating Assigned



|                                     |                              |
|-------------------------------------|------------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 132.05                   |
| <b>Long Term Rating</b>             | SMERA BBB- / Outlook: Stable |
| <b>Short Term Rating</b>            | SMERA A3                     |

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of **'SMERA BBB-' (read as SMERA BBB minus)** and short term rating of **'SMERA A3' (read as SMERA A Three)** on the Rs.132.05 crore bank facilities of Simplex Castings Limited. The outlook is **'Stable'**.

SCL was established in 1970 as a partnership firm and was converted into a private limited company in 1980. In 1993, the company became a public limited company and was listed on the Bombay Stock Exchange (BSE). SCL manufactures iron and steel casting products and is also into turnkey project execution. SCL is catering to various industrial sectors like Steel, Railways, Power, Mining, Cement, Sugar, Chemicals, Earthmovers, Machines Tools, Ship Building, Oil & Gas & Defence, etc. The company has three manufacturing units, one each in Bhilai, Urla and Tedsara (Chhattisgarh).

### Key Rating Drivers

#### Strengths

##### • Experienced management and long track record of operations

The company was established in 1970 as a partnership firm and was converted into a private limited company in 1980. In 1993, the company became a public limited company and was listed on the BSE. The promoters, Mr. Ketan Moolchand Shah and Mrs. Sangeeta Ketan Shah have over two decades of experience in the engineering industry. Mr. Ketan Moolchand Shah holds Bachelor Degree in Mechanical Engineering and a Postgraduate Degree in Business Management. Mr. Shah joined Simplex Castings Limited as a director in the year 1993 and became Chairman of the company in year 2015. Mrs. Sangeeta Shah holds Master's Degree in Business Administration, further Mrs. Shah is an active member of Industrial Association, CII, IIF, Chhattisgarh Skills Development and also in various associations. Further the top management is ably supported by highly experienced second line of management. Hence long track record of operations and experienced management has helped to company to establish healthy relationship with the customers.

##### • Reputed clientele

The company is having reputed clientele base marked by names like TATA Steel Limited, Hindalco Industries Limited, Concord Engineering GMBH, Bharat Heavy Electrical Limited, Rourkela Steel Plant, Essar Steel India Limited, HMT Machine Tools Limited, Bhilai Steel Plant, Bokaro Steel Plant, Jindal United Steel Limited, JSW Steel Limited, Ashoke Leyland Limited, Central Railway, Integral Coach Factory, Titagarh Wagons Limited, Eastern Central Railway, Braithwaite & Co. to name a few.

##### • Healthy financial risk profile

The company is having moderate financial risk profile marked by healthy network, comfortable gearing and moderate debt protection measures. The network stood at Rs.102.58 crores as on 31st March 2017 as against Rs.94.12 crore in the previous year. The gearing stood at 0.64 times as on 31st March 2017 as against the same in previous year. The total debt of Rs.65.44 crore consists of long term debt of Rs.11.72 crore, short term debt of Rs.48.24 crore and CPLTD of Rs.5.48 crore. The interest coverage ratio stood at 1.91 times in FY2017 as against 2.05 times in the previous year. The Debt Service Coverage Ratio (DSCR) stood at 1.47 times in FY 2017 as against 1.33 times in the previous year. Further, the NCA/TD ratio stood at 0.14 times in FY2017 as against 0.17 times in the previous year.

## Weaknesses

### • Working capital intensive operations

The operations are working capital intensive in nature marked by GCA days of 231 in FY 2017 as against 225 days in FY 2016. The high GCA days are on the account of high inventory days of 102 in FY 2017 as against 102 days in FY 2016. The reason for high inventory days is due to longer execution time involved in some work orders. The debtor's days stands at 94 in FY 2017 as against 85 days in FY 2016 mainly.

### • Competition from others players and presence in fragmented industry

The company operates in a fragmented industry and faces stiff competition from other organized and unorganized players in the market, thus limiting the bargaining power of the company.

## Analytical Approach

SMERA has considered standalone financials of the company

## Outlook: Stable

SMERA believes the company will continue to benefit over the medium term from its experienced management and reputed clientele. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues, or in case of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

## About the Rated Entity - Key Financials

|                               | Unit    | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 206.41        | 206.76        | 167.64        |
| EBITDA                        | Rs. Cr. | 20.75         | 20.62         | 23.92         |
| PAT                           | Rs. Cr. | 1.88          | 3.56          | 1.19          |
| EBITDA Margin                 | (%)     | 10.05         | 9.97          | 14.27         |
| PAT Margin                    | (%)     | 0.91          | 1.72          | 0.71          |
| ROCE                          | (%)     | 8.41          | 10.74         | 21.22         |
| Total Debt/Tangible Net Worth | Times   | 0.64          | 0.64          | 0.53          |
| PBDIT/Interest                | Times   | 1.91          | 2.05          | 1.59          |
| Total Debt/PBDIT              | Times   | 3.03          | 2.52          | 2.06          |
| Gross Current Assets (Days)   | Days    | 263           | 263           | 325           |

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

Not Applicable

## Any other information

Not Applicable

## 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>

## 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. Cr.) | Ratings/Outlook     |
|------------------------|------------------|----------------|----------------|-----------------------------|---------------------|
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 55.00                       | SMERA BBB- / Stable |
| Term Loan              | Not Applicable   | Not Applicable | Not Applicable | 5.73                        | SMERA BBB- / Stable |
| Corporate Loan         | Not Applicable   | Not Applicable | Not Applicable | 9.32                        | SMERA BBB- / Stable |
| Letter of Credit       | Not Applicable   | Not Applicable | Not Applicable | 32.00                       | SMERA A3            |
| Bank of Guarantee      | Not Applicable   | Not Applicable | Not Applicable | 30.00                       | SMERA A3            |

### Contacts

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### ABOUT SMERA

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