

Press Release

SRS Diecasting Private Limited

June 08, 2018



Rating Assigned

| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 10.00 Cr. |
| Long Term Rating | ACUITE BB- / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) on the Rs.10.00 crore bank facilities of SRS Diecasting Private Limited (SRS). The outlook is '**Stable**'.

The Gurugram-based, SRS Diecasting Private Limited, incorporated in 1985 is a manufacturer of pressure diecast components for large OEMs & tier 1 supplier in automotive, telecom and white goods sector based in domestic and oversea market. The company operates through two units located in Gurugram (Haryana) and Solan (Himachal Pradesh). The combined production capacity is ~165 tons per month.

Key Rating Drivers

Strengths

- Experienced management and long track record of operation**

The day to day operations are managed by the promoters, namely, Mr. Supreet Jain along with his father, Mr. Sushil Kumar Jain having experience of more than three decades in the engineering industry. The company also has second line of management who are also well experienced in this industry.

- Established relationship with reputed customers**

The company caters to reputed customers like Eichers Ltd, LG Electronics, Honda Siel Power Products Ltd, Continental Engines Limited, among others for more than a two decade.

- Moderate financial risk profile**

SRS has a moderate financial risk profile marked by tangible net worth of Rs.10.87 crore as on 31 March, 2018 (provisional) as against Rs.8.65 crore as on 31 March, 2017. The gearing (debt to equity) stood comfortable at 1.50 times as on 31 March, 2018(Provisional) as against 2.04 times as on 31 March, 2017. The debt of Rs.16.31 crore mainly consists of working capital borrowings of Rs.8.52 crore, term loans of Rs.5.15 crore and unsecured loans of Rs.2.64 crore as on 31 March, 2018(Provisional). Interest Coverage Ratio (ICR) stood at 3.23 times for FY2018 (Provisional) as against 2.67 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.25 times as on 31 March, 2018 (Provisional) as against 2.59 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.21 times as on 31 March, 2018 (Provisional) as against 0.16 times as on 31 March, 2017.

Weaknesses

- Modest scale of operation**

Although the company has been in existence since 1985, the scale of operation is modest with turnover of Rs.47.58 crore in FY2018 (Provisional). However, the company has undertaken expansion of operation by installation of new machinery to increase its production capacity from 165 tons to 200 tons per month.

- **Competitive and fragmented nature of industry**

The company manufactures aluminium die cast product for which it purchases aluminium ingots from the local market. The company operates in a highly competitive and fragmented industry characterised by large number of organised and unorganised players which can affect its margins. However, same is mitigated to some extent as evident from established relationship with its customers for more than two decades.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of the SRS to arrive at the rating.

Outlook: Stable

Acuité believes that SRS will maintain a 'Stable' business risk profile over the medium term from its experienced management and established relationship with customers. The outlook may be revised to 'Positive' in case of healthy growth in revenues while achieving sustained improvement in operating margins. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 47.58 | 47.79 | 45.90 |
| EBITDA | Rs. Cr. | 5.04 | 4.09 | 5.06 |
| PAT | Rs. Cr. | 2.04 | 1.27 | 1.34 |
| EBITDA Margin | (%) | 10.59 | 8.56 | 11.03 |
| PAT Margin | (%) | 4.29 | 2.66 | 2.92 |
| ROCE | (%) | 14.04 | 10.31 | 15.37 |
| Total Debt/Tangible Net Worth | Times | 1.50 | 2.04 | 2.74 |
| PBDIT/Interest | Times | 3.23 | 2.67 | 2.78 |
| Total Debt/PBDIT | Times | 3.29 | 4.27 | 3.88 |
| Gross Current Assets (Days) | Days | 141 | 103 | 138 |

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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 |
|----------------------------|------------------|----------------|----------------|-------------------------------|---------------------|
| Term loans | Not Applicable | Not Applicable | Not Applicable | 1.20 | ACUITE BB- / Stable |
| Foreign Currency Term Loan | Not Applicable | Not Applicable | Not Applicable | 3.90 | ACUITE BB- / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.16 | ACUITE BB- / Stable |
| Proposed Term Loan | Not Applicable | Not Applicable | Not Applicable | 1.00 | ACUITE BB- / Stable |
| Proposed | Not Applicable | Not Applicable | Not Applicable | 3.74 | ACUITE BB- / Stable |

Contacts

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About Acuité Ratings & Research:

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