

Press Release

Shiv Tools Engineering Private Limited (STEPL)

July 22, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	ACUITE B-/ Stable (Upgraded from ACUITE C)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating of '**ACUITE C' (read as ACUITE C)** to '**ACUITE B-' (read as ACUITE B minus)** on the Rs. 11.00 crore bank facilities of SHIV TOOLS ENGINEERING PRIVATE LIMITED (STEPL). The outlook is '**Stable**'.

The rating upgrade is on account of timely servicing of debt obligations and increased profitability and scale of operations of the company.

Haryana-based, Shiv Tools engineering private limited was originally established as a proprietorship firm Shiv tools in 1996 by Mr. Bhikkan Singh. Subsequently the constitution has been changed to private limited in 2004. STEPL was engaged in business of manufacturing dyes, paints, and tools for automobiles. Further the company diversified into manufacturing external body parts for automobiles and tractors. STEPL has three manufacturing facilities located in Faridabad with the installed capacity of 500 tons, further the utilization of the same is around 60 percent.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the STEPL to arrive at this rating.

Key Rating Drivers

Strengths

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

STEPL, earlier known as Shiv tools, was established in 1996 thus the company has an operational track record of around 19 years in the automobile ancillary industry. The company is led by Mr. Bhikkan singh and Mrs. Bimla Devi who possess more than two decades of experience in the aforementioned industry. Acuité believes the company will benefit from its experienced management which helps the company in maintaining long standing relations with its customers and suppliers.

Weaknesses

- **Working capital intensive operations:**

The working capital operations of STEPL are intensive marked by high gross current assets (GCA) of 235 days in FY2019 (Provisional) as against 219 days in FY2018. This is on account of high inventory holding period of 167 days in FY2019 (Provisional) as against 154 days in FY2018. The debtor collection period stood at 72 days in FY2019 (Provisional) as against 40 days in FY2018. Creditors stood high at 124 days in FY2019 (Provisional) as against 99 days in FY2018. Further cash credit facility is fully utilized for the six months ended 30th June 2019.

- **Weak financial risk profile**

The financial risk profile of the STEPL is weak marked by below average net worth, debt protection

metrics and coverage indicators. The net worth of STEPL stood at Rs. (5.85) crore as on 31 March 2019 (Provisional) as against Rs. (6.05) crore as on 31 March 2018. The gearing (debt-equity) stood at (4.92) times as on 31 March 2019 (Provisional) as against (4.50) times as on 31 March 2018. The total debt of Rs. 22.15 crore as on 31 March 2019 (Provisional) mainly comprises Rs. 17.33 crore of working capital borrowings and Rs. 3.33 crore of unsecured loans. The coverage indicators are average marked by interest coverage ratio (ICR) of 1.56 times for FY2019 (Provisional) as against (1.55) times for FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.05 times in FY2019 (Provisional) and (0.24) times in FY2018. Debt to EBITDA stood at 6.88 times in FY2019 (Provisional) as against (6.70) times in FY2018. Acuité believes that the financial risk profile of the company is expected to remain weak marked by low net cash accruals against maturing debt obligations in near to medium term.

• Customer concentration risk

STEPL is prone to customer concentration risk as more than 85 percentage of the revenue are generated from the top 3 customers namely Vee Gee industrial enterprises private limited, TS Tech Sun Rajasthan private limited and Sankei giken India private limited.

Liquidity position

STEPL has stretched liquidity marked by average net cash accruals against maturing debt obligations. The company generated cash accruals of Rs. 1.19 crore for FY2019 (Provisional) against debt obligations of Rs. 1.43 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 1.47 crore to Rs. 2.63 crore during FY 2020-22 against repayment obligations of around Rs. 1.13 crore to Rs. 1.25 crore. The company's working capital operations are intensive marked by gross current asset (GCA) days of 235 days for FY2019 (Provisional). STEPL maintains cash and bank balances of Rs. 0.01 crore as on 31 March 2019 (Provisional). The current ratio stood at 0.76 times as on 31 March 2019 (Provisional). Further the company fully utilized its working capital limits in the last 6 months ended 30th June 2019. Acuité believes that the liquidity of the company is expected to be stretched over the medium term on account of average cash accruals to debt repayments over the medium term.

Outlook: Stable

Acuité believes that STEPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	40.24	31.89	24.85
EBITDA	Rs. Cr.	3.16	(3.33)	(3.84)
PAT	Rs. Cr.	0.22	(6.38)	(7.64)
EBITDA Margin	(%)	7.84	(10.43)	(15.47)
PAT Margin	(%)	0.54	(20.01)	(30.16)
ROCE	(%)	13.15	(23.92)	(52.52)
Total Debt/Tangible Net Worth	Times	(4.92)	(4.50)	1.11
PBDIT/Interest	Times	1.56	(1.55)	(1.70)
Total Debt/PBDIT	Times	6.88	(6.70)	(4.94)
Gross Current Assets (Days)	Days	235	219	376

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

Not applicable.

Any other information

Not applicable.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
07-September-2018	Cash Credit	Long-Term	11.00	ACUITE C (Assigned)

*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	11.00	ACUITE B-/Stable (Upgraded from Acuite C)

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About Acuité Ratings & Research:

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