

## Press Release

**Skipper Metzer India LLP**

September 14, 2020



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 48.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB-/Stable (Assigned)
<b>Short Term Rating</b>	ACUITE A3 (Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB-**' (**read as ACUITE Triple BBB minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs 48.00 crores bank facilities of Skipper Metzer India LLP (SMIL). The outlook is '**Stable**'.

Skipper Metzer India LLP (SMIL) was established in March 2018 as a limited liability partnership. Skipper Limited (rated at Acuité A-/Stable) and Metzerplas Cooperative Agricultural Organization Limited are equal partners of the firm. SMIL offers a wide range of products and solutions in the field of micro-irrigation. The firm had set up a manufacturing unit in Hyderabad which became operational since July 2019.

### Analytical Approach

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

### Key Rating Drivers

#### **Strengths**

##### **Strong promoters**

SMIL was established by Skipper Limited (Acuité A-/Stable) and Metzerplas Cooperative Agricultural Organization Limited (an Israeli firm). Skipper Limited (SL) was incorporated in 1981 by the Kolkata based Bansal family. The company has a diversified business profile as SL has three business segments, viz. engineering, polymer and infrastructure. The engineering segment with capacities of 300,000 MTPA is into manufacturing of transmission tower, telecom towers, poles, distribution poles, angles, fasteners and railway structures. The revenue contribution from this segment is around 82 to 88 percent of total revenue. The polymer segment with manufacturing capacities of 51000 MTPA is into manufacturing of various kinds of UPVC pipes, CPVC pipes, SWR pipes which are used for plumbing and irrigation purpose and contribute to around 10 percent of total revenue. The third segment is EPC, where company executes projects related to power transmission, which contributes to the balance 8 percent. The company has five manufacturing units located in West Bengal and Assam. Metzerplas Cooperative Agricultural Organization Limited (MCAL) is an Israeli entity that has 5 decades of experience in developing and manufacturing high-quality drip manufacturing-lines, PE conduction pipes for water, wastewater and gas, reduced-friction communication pipes, and corrosion-free thermally-insulated SP pipes with a global presence. MCAL provides technological support to Skipper Metzer and also supplies dripper. The key promoters of Skipper Limited are partners of the firm who manage the day to day operations. Moreover, SL has extended corporate guarantee to the firm.

#### **Demand for micro irrigation**

As per the study conducted by the Government of India (GOI) in FY18, the area under micro irrigation was around 10 million hectares, whereas the unimplied micro irrigation area was around 69.5 million hectares. Hence there was a gap of around 60 million hectares. GOI had launched Pradhan Mantri Krishi Sinchayee Yojna (PMKSY) scheme in FY16 with an ambition to have assured irrigation in cultivated areas. Micro irrigation is an integral part of this scheme. Under PMKSY scheme, the state government provides financial support to small and marginal farmers in the form of subsidy for micro irrigation.

## Weaknesses

### Modest financial risk profile

The financial risk profile is marked by its moderate net worth, comfortable gearing ratio and healthy debt protection metrics. The net worth of the firm stood at Rs. 18.33 crore in FY20. The gearing of the firm stood modest at 0.97 times in FY20. The debt level of Rs. 17.78 crore includes Rs 11.26 crore of short term borrowing and Rs 6.52 crore of long term loan. Lease Liability of Rs 7.44 crore is treated as a Non-current liability. Interest coverage of the firm stood at 3.55 times in FY20. NCA/TD stood at 0.07 times in FY20. Initial Project was Rs 48.57 crore which was funded through mix debt and equity in 1:1 ratio. The initial capex plan is yet to complete. Acuite believes the financial risk profile of the firm will remain at a modest level over the medium term because of their ongoing capex plan.

### Rating Sensitivity

- Substantial improvement in the scale of operation along with improvement in profitability margins.
- Improvement in financial risk profile.

### Material Covenant

None

### Liquidity Profile: Adequate

The firm has adequate liquidity profile as working capital utilization for 9 months ended in June, 2020 stood at around 83 percent. The current ratio stood modest at 1.54 times in FY20. In addition, free cash & balance stood at Rs 1.31 crore in FY20. Net cash accrual of the firm stood at Rs 1.74 crore as against Rs 1.09 crore in FY20. However, the firm has a high working capital requirement as evident from its GCA days which stood at 314 days because of the high debtor and inventory level. Acuite believes net cash accrual will improve in the medium term as absolute EBITDA will rise backed by an increase in the scale of operation.

### Outlook: Stable

Acuite believes the outlook of the firm will remain 'Stable' over the medium term backed by strong linkage with its promoters. The outlook may be revised to 'Positive' if the firm is able to increase its scale of operations significantly along with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its capital structure due to more than anticipated debt-funded capex.

### About the Rated Entity - Key Financials

	Unit	FY20 (Actual)
Operating Income	Rs. Cr.	32.45
PAT	Rs. Cr.	-0.47
PAT Margin	(%)	-1.45
Total Debt/Tangible Net Worth	Times	0.97*
PBDIT/Interest	Times	3.55

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

None

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

NA

#### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3 (Assigned)
Term Loan	Not Available	Not Applicable	March 2026	24.00	ACUITE BBB-/Stable (Assigned)

#### Contacts:

Analytical	Rating Desk
<p>Pooja Ghosh Head- Corporate and Infrastructure Sector Tel: 033-66201203 <a href="mailto:pooja.ghosh@acuite.in">pooja.ghosh@acuite.in</a></p> <p>Tony Banerjee Rating Analyst Tel: 033-66201206 <a href="mailto:tonoy.banerjee@acuite.in">tonoy.banerjee@acuite.in</a></p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

#### About Acuité Ratings & Research:

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