

Press Release



Skipper Metzger India LLP

November 25, 2021

Rating Reaffirmed

Product	Net Quantum (Rs. Cr)	Withdrawn Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.00	0.00		ACUITE A3 Reaffirmed
Bank Loan Ratings	41.00	0.00	ACUITE BBB- Stable Reaffirmed	
Total	48.00	0.00	-	-

Rating Rationale

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

The rating continues to draw comfort from financial linkages with Skipper Limited (rated at Acuité A-/Stable/A2+) and Metzgerplas Cooperative Agricultural Organization Limited (an Israeli entity). Both entities are equal partners in SM and Skipper Ltd has extended corporate guarantee to SM. Ratings also factor stabilization in operation of firm as indicated from its healthy revenue growth with improvement in profit margin during FY21. The firm has an average financial risk profile marked by moderate net worth and comfortable coverage ratios. The rating strengths are partially offset by high working capital requirement in the business.

About the Company

Skipper Metzger India LLP (SMIL) was established in March 2018 as a limited liability partnership. Skipper Limited and Metzgerplas 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 profile of SM and notched up the standalone rating by factoring in the financial linkage with Skipper Limited.

Key Rating Drivers

Strengths

Strong linkage with parent entities

SMIL was established by Skipper Limited and Metzgerplas 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 76 percent of total revenue. The polymer segment with manufacturing capacities of 51,000 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 14 percent of total revenue. The third segment is EPC, where company executes projects related to power transmission, which contributes to the balance 10 percent. The company has five manufacturing units located in West Bengal and Assam. Metzgerplas 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 Metzger 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.

Improvement in operational performance

The firm had registered healthy revenue growth of around 68 percent in FY21 driven by first full year of operation as firm has commenced its operation since July 2019. Moreover the firm had also witnessed an improvement in profit margin as EBITDA margin stood at 9.96 percent in FY21 as against 7.35 percent in FY20. The improvement is driven by inflow in subsidies. Acuité believes the operational performance will continue to improve over the medium term backed by high budgetary allocation towards Pradhan Mantri Krishi Sinchayee Yojna scheme.

Average financial risk profile

The financial risk profile is marked by its moderate net worth, modest gearing ratio and healthy debt protection metrics. The net worth of the firm stood at Rs. 19.03 Cr in FY21 as against Rs 18.33 Cr in FY20. The gearing of the firm stood modest at 1.67 times in FY21 as against 0.97 times in FY20 due to debt funded capex plan. The debt level of Rs. 31 Cr includes Rs 15.67 Cr of short term borrowing, Rs 14.03 Cr of long term loan and Rs 1.30 Cr of unsecured loan. Interest coverage of the firm stood at 2.55 times in FY21 as against 3.55 times in FY20 due to rise in financial cost. DSCR stood at 1.69 times in FY21. NCA/TD stood at 0.11 times in FY21 as against 0.10 times in FY20. Acuite believes the financial risk profile of the firm will remain at a modest level over the medium term.

Weaknesses

Working capital intensive operations

The firm has high working capital intensity as evident from its high gross current asset (GCA) days of 240 days in FY21 and 314 days in the previous year. The high GCA days are due to high debtor days of 166 days in FY21 as against 154 days in FY20. Inventory days stood at 42 days in FY21 as against 102 days in FY20. Acuité believes the working capital management of the firm will remain at similar levels over the medium term.

Liquidity profile :Adequate

The firm has adequate liquidity profile as average working capital utilization for 9 months ended in September, 2021 stood at around 83 percent. The current ratio stood modest at 1.24 times in FY21. In addition, free cash & balance stood at Rs 2.24 crore in FY21. Net cash accrual of the firm stood at Rs 3.32 crore as against current maturity of Rs 2.34 Cr in FY21. However, the firm has a high working capital requirement as evident from its GCA days which stood at 240 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.

Rating Sensitivities

- Sustained revenue growth
- Regular subsidy receipts

- Improvement in financial risk profile.

Material covenants

None

Outlook : Stable

Acuité 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 sustained improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its profitability margin.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	54.69	32.45
PAT	Rs. Cr.	0.70	(0.47)
PAT Margin	(%)	1.29	(1.46)
Total Debt/Tangible Net Worth	Times	1.63	0.97
PBDIT/Interest	Times	2.55	3.55

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

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>

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Sep 2020	Term Loan	Long Term	24.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	17.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	7.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Size Of Issue	Rating
Punjab and Sind Bank	Term Loan	30-06-2020	7.70	30-03-2026	24.00	ACUITE BBB- Stable Reaffirmed
Punjab and Sind Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE BBB- Stable Reaffirmed
Punjab and Sind Bank	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3 Reaffirmed

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About Acuité Ratings & Research

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