

Press Release
Skipper Metzger India LLP

December 27, 2022



Rating Reaffirmed

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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite 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**'.

Rationale for the rating

The rating continues to reflect SM's strong financial linkages with Skipper Limited (rated at Acuite A-/Stable/A2+) as SL holds 50 percent stake and has extended corporate guarantee to SM. Ratings also factors stabilization in operation as reflected from its healthy revenue growth and improvement in profit margin during FY21. Firm has average financial risk profile marked by moderate net worth and capital structure. 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 (rated at Acuite A-/Stable A2+) 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.

Standalone (Unsupported) Rating

Not Applicable

Analytical Approach

Acuite 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 promoters

SMIL was established by Skipper Limited 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 Mr Sharan Bansal and Mr Devesh Bansal, 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. 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 crore includes Rs 15.67 crore of short term borrowing and Rs 14.03 crore of long term loan. Lease Liability of Rs 7.12 crore is treated as a Non-current liability. Interest coverage of the firm stood at 2.55 times in FY21. NCA/TD stood at 0.11 times in FY21. Acuite believes the financial risk profile of the firm will remain at a modest level over the medium term.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

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

Material covenants

None

Liquidity Position

Adequate

The firm has adequate liquidity profile as 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 Rs 2.34 crore 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.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	41.68	54.69
PAT	Rs. Cr.	(6.93)	0.70
PAT Margin	(%)	(16.62)	1.29
Total Debt/Tangible Net Worth	Times	1.79	1.63
PBDIT/Interest	Times	(0.33)	2.55

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Nov 2021	Bank Guarantee	Short Term	7.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	24.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BBB- Stable (Reaffirmed)
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	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab and Sind Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A3 Reaffirmed
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	14.95	ACUITE BBB- Stable Reaffirmed
Punjab and Sind Bank	Not Applicable	Term Loan	Jun 30 2020 12:00AM	7.70	Mar 30 2026 12:00AM	Simple	9.05	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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