Press Release
Skipper Metzer India LLP
March 19, 2024
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	26.05	ACUITE BBB- | Reaffirmed & Withdrawn	-
Bank Loan Ratings	14.95	Not Applicable | Withdrawn	-
Bank Loan Ratings	7.00	-	ACUITE A3 | Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	48.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of **'Acuite BBB-' (read as Acuite t riple B minus)** on the Rs.26.05 Cr. bank facilities and the short term rating of **'ACUITE A3' (read as ACUITE A three)** on the Rs.7.00 Cr. bank facilities of Skipper-Metzer India LLP.
Also withdrawing the long-term rating on the Rs.14.95 Cr. of proposed bank facilities of Skipper-Metzer India LLP without assigning any rating as it is a proposed facility. The withdrawal is in accordance with Acuite's policy on withdrawal of ratings. The rating is being withdrawn on account of request received from the company and No Objection Certificate received from the lender.

Rationale for the rating

The rating continues to reflect SMI LLP's strong financial linkages with Skipper Limited (SL) (rated at Acuité A-/Stable/A2+) as SL holds 50 percent stake and has extended corporate guarantee to SMI LLP. Ratings also factors stabilization in operation as reflected from its healthy revenue growth and improvement in profit margin during FY23. However, the firm has below average financial risk profile marked by moderate net worth and capital structure. The rating strengths are also partially offset by high working capital requirement in the business and working capital intensive operations.

About the Company

Skipper Metzer India LLP (SMI LLP) was established in March 2018 as a limited liability partnership. Skipper Limited (rated at Acuite A-/Stable A2+) and Metzerplas Cooperative Agricultural Organization Limited are equal partners of the firm. SMI LLP 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.

Unsupported Rating

ACUITE BB

Analytical Approach

Acuité has considered the standalone business and financial risk profile of SMI LLP 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, SLI LLP has extended corporate guarantee to the firm.

Improving scale of operations and improvement in margins

SMI LLP posted revenue of Rs. 84.45 Cr. in FY23 as against Rs. 41.68 Cr. in FY22, an y-o-y growth of 103% on account and increase in capacity utilisation and better demand post pandemic. The firm has posted a revenue of Rs. 103.15 Cr. till December 2024. The government of India had launched Rashtriya Krishi Vikas Yojana scheme to improve productivity of agricultural sector. The implementation of the PDMC (Per Drop More Crop) Micro Irrigation programme component under RKVY (Rashtriya Krishi Vikas Yojana). PDMC scheme focuses on enhancing water use efficiency at farm level through Micro Irrigation, namely, Drip and Sprinkler Irrigation systems. With increasing focus of the Central Government on this programme, the State Governments can avail more funds based on the performance. The firm gets empanelled under this scheme in various states and hence, the scale of operation is expected to improve over the medium term. SML LLP's operating margin improved to 17.3% in FY2023 from operating losses booked in FY22 owing to better absorption of fixed costs. Moreover, the firm is expose to volatile nature of polymer prices as it is linked crude oil price. In current year, firm expects to clock similar margins for the year. Further, higher fund allocation toward micro irrigation by GOI led to rise in subsidy inflow. Acuite believes the profit margin will improve over the medium term backed by rise in order flow.

Weaknesses

Below average financial risk profile

The firm has a modest financial risk profile marked by its low net worth, modest gearing ratio and moderate debt protection metrics. The net worth of the firm was at Rs. 19.75 Cr. as on March 31, 2023 due to profits generated during the year. However, the gearing remained high at 2.58 times as on that date due to increasing dependence on bank lines for funding working capital requirement, influx of unsecured loans of Rs. 16.5 Cr. from body corporate and debt funded capex undertaken during the year. However, the debt protection metrices improved due to better profitability generated during the year; with interest coverage ratio at 3.40 times and debt service coverage ratio at 1.61 times as on March 31, 2023. Acuite believes that the firm's financial risk profile will remain at modest level in medium term because of high dependence on debt for meeting working capital requirement albeit an improving net worth.

Working Capital Intensive nature of business

The operations of the firm are working capital intensive as reflected in the high Gross Current Assets of 326 days as on March 31, 2023 as compared to 258 days as on March 31, 2022. This is largely attributable to high debtors and inventory days. The debtor stood at 219 days as on March 31 2023 largely due to delayed release of subsidy released from Govt bodies. The inventory days also remained high at 107 days as on March 31, 2023 against 45 days as on March 31, 2022. Against this the firm has to stretch its suppliers payment as reflected from creditor days of 177 days as on March 31, 2023. Acuite believes that the working capital requirement of the firm will continue to remain high due to nature of business where a large part of debtors consist of subsidy receivables from Govt bodies.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

Not Applicable

Liquidity Position

Adequate

The firm has adequate liquidity profile as reflected from improving net cash accruals, financial flexibility of promoter to bring in unsecured loans and moderate current ratio albeit high bank line utilisation. The net cash accruals of the firm is expected to remain similar to FY23 levels and be sufficient to repay the term debt obligations. Current ratio stood at 1.50 times in FY23. However, the GCA days stood high at 326 days in FY23. The working capital utilization stood at 95.9% (against sanctioned limit) during last 6 months ended Feb 2024. The firm also has flexibility of unsecured loans infused by promoters friends and family to fund its working capital requirement from time-to-time. It stood at Rs. 20.40 Cr (both short term of Rs. 7.5 Cr & long term unsecured loans of Rs. 16.5 Cr) and is expected to be repaid in FY2025. Acuite believes the liquidity will continue to remain adequate backed by steady accruals due to stabilization of operations, absence of any further debt funded capex plans and moderate current ratio.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	84.45	41.68
PAT	Rs. Cr.	5.72	(6.93)
PAT Margin	(%)	6.77	(16.62)
Total Debt/Tangible Net Worth	Times	2.58	1.79
PBDIT/Interest	Times	3.40	(0.33)

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information
None

Applicable Criteria
• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.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, Acuité 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
27 Dec 2022	Bank Guarantee (BLR)	Short Term	7.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BBB- | Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	14.95	ACUITE BBB- | Stable (Reaffirmed)
	Term Loan	Long Term	9.05	ACUITE BBB- | Stable (Reaffirmed)
25 Nov 2021	Bank Guarantee/Letter of Guarantee	Short Term	7.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BBB- | Stable (Reaffirmed)
	Term Loan	Long Term	24.00	ACUITE BBB- | Stable (Reaffirmed)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE A3 | Reaffirmed & Withdrawn
Punjab and Sind Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE BBB- | Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.95	Not Applicable | Withdrawn
Punjab and Sind Bank	Not avl. / Not appl.	Term Loan	29 Oct 2019	Not avl. / Not appl.	29 Mar 2027	Simple	9.05	ACUITE BBB- | Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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