



Press Release
Spartan Engineering Industries Private Limited
July 30, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	38.00	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	14.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	52.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four Plus**) on the Rs. 52.00 crore bank facilities of Spartan Engineering Industries Private Limited (SEIPL). The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating is reaffirmed on account of SEIPL's consistent improvement in operating income, albeit fluctuating operating profitability and below average financial risk profile. The operating income of SEIPL stood at Rs.210.77 Cr. in FY2024(Prov.) as compared to Rs.176.95 Cr. in FY2023. The operating margins of the company increased to 8.92 percent in FY2024(Prov.) as compared to 6.90 percent in FY2023 on account of reduction in input material costs and higher sales. The operating profitability has fluctuated between 6.90-8.92 percent over the three years ended FY2024 (Prov.) The PAT margins improved to 2.15 percent in FY2024(Prov.) as against 1.38 percent in FY2023. The company has approximately generated sales of Rs.62 Cr. till the month of July 2024. The order book of the company stands approximately at Rs.115 Cr. as on June 2024. The financial risk profile is below average marked by modest net worth, moderately high gearing, and modest debt protection metrics. Furthermore, SEIPL's working capital intensive operations, competitive Industry and exposure to the cyclicity associated with end user industry also constrain the rating.

About the Company

Mumbai-based Spartan Engineering Industries Private Limited (SEIPL), was incorporated in 1988. The company is engaged in the manufacturing and trading of construction equipment and machines. It sells products in India and abroad under various brands namely 'Spartan', 'Sky Plus', 'Elite Aviator' and 'Hercules'. The directors of the company are Mr. Mahendra Pranjivandas Mehta, Mr. Vikram Mahendra Mehta and Mrs. Hiral Vikram Mehta. SEIPL's manufacturing facility is located at Atgaon near Nashik

Analytical Approach

For arriving at the rating, Acuite has considered the standalone business and financial risk profiles of Spartan Engineering Industries Private Limited (SEIPL).

Key Rating Drivers

Strengths

Experienced management and establish track record of operations

Incorporated in 1988, SEIPL is promoted by Mr. Mahendra Mehta and family. The company

started its manufacturing operations in 2006. Mr. Mahendra Mehta, a mechanical engineer by profession, is the founder and chairman of the company and possesses over four decades of experience in the industry. His son, Mr. Vikram Mehta, currently handles the overall business operations and possess over a decade experience in same line of business. The company is well supported by second line of management. Spartan has established its market position as leading Indian company in construction Equipment Manufacturing. The manufacturing facility is located at Atgaon on Mumbai Nashik highway to manufacture an array of construction equipment's & Fire Evacuation Lifts. The company has two more factories in Bhiwandi and Thane. The production facility covers Fabrication, Production Assembly, Testing, R&D, Design & Development, and Spares Management & Dispatch. It sells products in India and abroad under various brands namely 'Spartan', 'Sky Plus', 'Elite Aviator' and 'Hercules'. Acuité believes that the company will continue benefitting from its experienced management and established track record of operations over the medium term.

Geographically diversified operations and reputed clientele

The company has pan India presence through branches and distributors. It has branch offices in Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Noida and Pune. SEIPL also exports to Sri Lanka, Nepal and Dubai. And has warehouses at specific location to meet immediate orders. SEIPL's domestic customer profile includes some large players from the real estate and construction industries like Larsen & Toubro Ltd., Tata Projects, Shapoorji Pallonji and Oberoi Realty to name few which reduces counterparty risk and assure recurring flow of orders. Majority of the top ten customers and suppliers of SEIPL have been associated with it for more than a decade.

Acuité believes that SEIPL will continue to benefit from its geographically well diversified operations and reputed clientele over the medium term.

Weaknesses

Below Average financial risk profile

The financial risk profile of the company stood below average marked by modest net worth, moderately high gearing, and modest debt protection metrics. The tangible net worth stood at Rs.23.11 Cr. as on 31 March 2024(Prov.) as against Rs.17.29 Cr. as on 31 March, 2023. The improvement is on account of accretion of profits to reserves and growth. The total debt of the company stood at Rs.78.96 Cr. which includes Rs.14.54 Cr. of long-term debt, Rs.6.39 Cr. of CPLTD, Rs.21.61 Cr. of Unsecured loans and Rs.36.42 Cr. of short-term debt as on 31 March, 2024(Prov.). Additionally, Rs.21.61 Cr. of the unsecured loans consists of Rs.4.15 Cr. from Directors/Promoters and Rs.17.46 Cr. from others. The gearing (debt-equity) stood moderately high at 3.42 times (Prov.) as on 31 March 2024 as compared to 3.44 times as on 31 March, 2023. Interest Coverage Ratio slightly improved to 1.67 times for FY2024(Prov.) as against 1.64 times for FY2023. Debt Service Coverage Ratio (DSCR) stood at 1.08 times in FY2024(Prov.) as against 1.09 times in FY2023. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 6.57 times (Prov.) as on 31 March, 2024 as against 6.91 times as on 31 March, 2023. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.09 times for FY2024(Prov.) as against 0.07 times for FY2023.

Working intensive nature of operations

SEIPL's operations are working capital intensive in nature marked by high Gross Current Assets (GCA) of 261 days as on March 31, 2024(Prov.) as against 230 days as on March 31, 2023. SEIPL's inventory days stood at 112 days as on March 31, 2024(Prov.) as against 80 days as on March 31, 2023. The debtor days stood at 116 days as on March 31, 2024(Prov.) as against 123 days as on March 31, 2023. The average credit period allowed to customers is 90 days. The creditor days stood at 147 days as on March 31, 2024(Prov.) as against 143 days as on March 31, 2023. The average credit period allowed by suppliers is 90-120 days. The fund based working capital limits remain utilized at an average of 94 percent for the last 06 months ending May 2024.

Rating Sensitivities

- Further elongation in working capital cycle and stress on liquidity profile.
- Deterioration in overall financial risk profile and debt protection metrics.

Liquidity Position

Adequate

The company's liquidity position is adequate, marked by sufficient net cash accruals against its maturing debt obligations. The company generated net cash accruals of Rs.3.87-6.73 Cr. from FY2022-24 against the matured debt obligations of Rs.3.48-5.36 Cr. in the same period. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.11.98-18.72 Cr. over the medium term against expected maturing debt obligations of Rs.6.39-2.24 Cr. during the same period. The working capital management of the company is intensive marked by GCA days of 261 days in FY2024(Prov.) as against 230 days in FY2023. The company maintains unencumbered cash and bank balances of Rs.0.96 Cr. as on March 31, 2024(Prov.). The current ratio stands at 1.34 times (Prov.) as on March 31, 2024 as against 1.23 times as on March 31, 2023. The average utilization of fund based working capital limits remained moderately utilized at approximately 94 percent for the trailing 06 month's period until May 2024.

Outlook: Stable

Acuité believes that SEIPL will maintain a 'Stable' outlook and continue to benefit over the medium term from its experienced management and healthy relations with reputed clientele. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues while improving its profitability, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management, leading to further deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	210.77	176.95
PAT	Rs. Cr.	4.54	2.44
PAT Margin	(%)	2.15	1.38
Total Debt/Tangible Net Worth	Times	3.42	3.44
PBDIT/Interest	Times	1.67	1.64

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>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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. Acuité'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
03 May 2023	Cash Credit	Long Term	28.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.61	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	5.60	ACUITE BB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.79	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	14.00	ACUITE A4+ (Reaffirmed)
24 Mar 2022	Letter of Credit	Short Term	14.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	28.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.61	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	5.60	ACUITE BB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.79	ACUITE BB+ 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
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.00	ACUITE BB+ Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.00	ACUITE A4+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.79	ACUITE BB+ Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Oct 2025	Simple	1.61	ACUITE BB+ Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jul 2024	Simple	5.60	ACUITE BB+ Stable Reaffirmed

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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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