

Press Release

Suria Steeltech Private Limited (Erstwhile Tms Engineers Private Limited)

February 09, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	45.00	ACUITE B+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	45.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

ACUITE has assigned its long term rating of '**ACUITE B+**'(read as **ACUITE B plus**) on the Rs.45 Crore bank facilities of Suria Steeltech Private Limited (SSPL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned reflects the extensive experience of management along with established track record of operations. Further, the rating takes into consideration the revenue growth over the years. However, the rating is constrained by weak financial risk profile due to the thin profitability and losses recorded in FY 2021 and FY 2022 respectively. The rating further factors in the working capital intensive nature of operations.

About the Company

Incorporated in 2013, TMS Engineers Private Limited is a Pune based company engaged in fabrication & supply of Hopper AQC Boiler, Steel Structures etc. The company is currently led by Mr. Tanaji Sampatrao Kadam, Mr. Laxman Pandurang Kokale, Mr. Eknath Raosaheb Pawar and Ms. Aishwarya Eknath Pawar.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of SURIA STEELTECH PRIVATE LIMITED.

Key Rating Drivers

Strengths

Established track record and Experienced Management

The management of company has vast experience in the aforementioned line of business. The company is currently led by Mr. Tanaji Sampatrao Kadam, Mr. Laxman Pandurang Kokale, Mr. Eknath Raosaheb Pawar and Ms. Aishwarya Eknath Pawar. The experience of the management has helped the company to maintain a longstanding relationship with its customers and suppliers. The company has reported an increase in revenue of Rs.22.77 Crore in FY22 as against Rs.13.27 Crore in FY21.

Weaknesses

Working Capital Intensive Nature of company

The working capital operations of the company are intensive marked by GCA days of 689 days in FY22. The inventory days of the company at 555 days' in FY22 against 390 days in FY21. The inventory days of the company is on higher side on an account of delay in execution of the project on client's end. However, the debtor days of the company stood at 100 days in FY22 against 121 days in FY21. On the other hand, the creditors days of the company is at 353 days in FY22 against 320 days in FY21. However, the current ratio of the company stood at 1.16 times in FY22. Acuite believes that working capital operations of the company may continue to remain intensive considering the nature of business.

Below average Financial Risk Profile

The financial Risk Profile of the company characterised by reporting losses in FY22, which had also impacted the net worth of the company which stood at Rs.9.43 Crores in FY22 against Rs.10.29 Crores in FY21. The company has reported high gearing ratio of 7.75 times in FY22 against 7.49 times in FY21. Further, the coverage indicators of the company remained in line over the years with interest coverage ratio of 1.75 times in FY22 against 1.71 times in FY21 and debt service coverage ratio stood at 1.73 times in FY22 against 1.67 times in FY21. Acuite' believes that financial risk profile may continue to remain below average with low profits and higher reliance on short term borrowings.

Rating Sensitivities

- Further elongation in working capital cycle.
- Improvement in Operating Income and Profitability

Material covenants

None.

Liquidity Position

Adequate

The liquidity profile of the company is adequate. The company has generated net cash accruals of around Rs.4.76 Crore in FY22 against no debt repayment obligation in the same period. The company is expecting to maintain net cash accruals under the range of Rs.6 Crore in medium term against the debt repayment obligation of around Rs.2 crore to Rs.3 Crore in the same period. The average bank limit utilisation of the company stood at 82.09% for last nine months ended May 2022.

Outlook: Stable

Acuite believes that company will maintain a 'Stable' outlook over the medium term on account of its management's extensive experience and healthy relationship with existing clients. The outlook may be revised to 'Positive' if the firm is able to register growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of further elongation of working capital cycle and deterioration of financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	22.77	13.27
PAT	Rs. Cr.	(0.86)	0.02
PAT Margin	(%)	(3.78)	0.17
Total Debt/Tangible Net Worth	Times	7.75	7.49
PBDIT/Interest	Times	1.75	1.71

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>
- Entities In Manufacturing Sector:- <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, 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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.25	ACUITE B+ Stable Assigned
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	2.96	ACUITE B+ Stable Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	28.79	ACUITE B+ Stable Assigned

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About Acuité Ratings & Research

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