

May 13, 2013

Facilities	Amount (Rs.Crores)	Rating
Cash Credit	3.00	SMERA D /Assigned
Term Loan	4.07	SMERA D /Assigned
Standby Line of Credit	0.60	SMERA D /Assigned

SMERA has assigned a rating of '**SMERA D**' (**read as SMERA D**) to the Rs. 7.07 crores long term facilities and Rs. 0.60 crores short term facilities of Shirodkar Preci Comp Private Limited (SPCPL). The rating has primarily considered delays in servicing of term loan obligations and stretched working capital limit utilization in recent months marked by frequent utilisation of ad hoc limits. The rating is also constrained by uneven trend in revenue growth, low scale of operations, foreign exchange fluctuation risk and below average financial risk profile marked by low capital base, moderately high gearing level and net losses incurred in FY 2008 and FY 2010. However, the rating derives support from the experience of the promoter and wide range of application of the products.

SPCPL witnessed a CAGR of 59.82% in its operating income during the period FY 2008 to FY 2012; however, SPCPL incurred net losses for FY 2008 and FY 2010 due to slow down in domestic as well as export markets. Delays have been observed in servicing of term loan obligations between November, 2012 & January, 2013 with respect to principal repayment on the loans availed. In recent months it has been observed that the company is frequently utilizing the ad hoc limits from bank, thus stretching its working capital limit utilization.

SPCPL is a small player in an intermediate industry and its end user industry comprise of sectors such as: power, mining, oil and gas, consumer goods, automotive and the general manufacturing. Domestic and export sector contribute 71% & 29% respectively, to SPCPL's total revenues in FY 2012. In the current year the management is focusing on increasing export contribution to SPCPL's total revenues. Currently, SPCPL exports its products to countries such as: Netherlands, Sweden, Singapore, USA & France. However the company is exhibiting moderate customer concentration risk, as 37% of its domestic revenues in FY 2012 is contributed by Atlas Copco India Limited.

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Further, the company is exposed to foreign exchange fluctuation risk as it doesn't hedge or enter into any forward contract, thus increasing the possibility of the company's operating margins being impacted due to adverse exchange fluctuations in the future. SPCPL has witnessed a spurt in its revenues in FY 2012 with a growth of 182% over the previous year; its total revenues grew from Rs. 3.68 crores in FY 2011 to Rs. 10.38 crores in FY 2012; while PAT for the corresponding years were Rs. 0.14 crores & Rs. 1.06 crores, respectively. SPCPL's YOY gearing improved from 5.18 times to 1.77 times from March 31, 2011 to March 31, 2012; this improvement was primarily on account of higher profits of the company. While SPCPL has booked revenue of Rs. 8.93 crores for the period April, 2012 to December, 2012 (9 months) as per sales tax returns, it has an order funnel worth Rs. 3.49 crores for execution. SPCPL is expecting a moderate increase in its revenues for FY 2013 as compared to FY 2012.

About Shirodkar Preci Comp Private Limited

SPCPL was incorporated on the 14th October, 2004 & Mr. Manoj Shirodkar and his family members are its founder directors. Later, in the year 2006, Mr. Sanjay Shirodkar was appointed as an additional director. At present, the management of SPCPL is vested in the hands of Mr. Manoj Shirodkar and Mr. Sanjay Shirodkar.

SPCPL is engaged in manufacturing and exporting of precision machined components and assemblies. The company caters to customers from various industries viz. Oil & Gas, Food Processing, Hydraulics & Pneumatics, Injection Moulding Machinery, Transmission & Suspension and General Engineering. SPCPL has a systematic manufacturing process supported by documentation such as: process flow diagram, ERP system, control plan, ballooned drawings, inspection test reports etc. to ensure 100% customer satisfaction. SPCPL exports to countries like the Netherlands, France, Ireland, Sweden, Singapore, China and USA. The registered office and factory unit of SPCPL is situated at Pune, Maharashtra.

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Contact List

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal, VP - SME – Sales Tel : +91 -22-67141177 Cell : +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in	Mr. Charu Dutt Sharma, VP – Operations – SME Tel: +91-22-67141130 Cell: +91 9820751853 Email: charu.sharma@smera.in	Tel: +9122-67141128 Email: ratingdesk@smera.in

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