

Akal Spring Limited (ASL)

Akal Spring Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit*	9.00	SMERA B+/Stable (Assigned)
Term Loan	0.30	SMERA B+/Stable (Assigned)

*Cash Credit includes a sublimit of Packing Credit – 0.30 crore, Foreign Bill Purchase – 0.30 crore and Bank Guarantee – 0.25 crore

SMERA has assigned long-term rating of '**SMERA B+**' (read as SMERA B plus) on the Rs.9.30 crore bank facilities of Akal Spring Limited (ASL). The outlook is '**Stable**'.

The rating is constrained by the modest scale of operations, average financial risk profile marked by high gearing and low profitability margins. The rating is also constrained by the intense competition in the auto component industry. However, the rating draws support from the experienced management and long track of operations.

ASL, incorporated in 1974 is engaged in the manufacture of spring leafs and motor parts. The scale of operations is modest marked by operating income of Rs.34.41 crore in FY2016 as compared to Rs.28.28 crore in FY2015. The average financial risk profile is marked by high gearing (debt-to-equity) of 3.56 times in FY2016 as against 4.82 times in FY2015. The profitability margin stands low at 0.53 percent in FY2016 as compared to 0.49 percent in FY2015. The interest coverage ratio stands moderate at 1.74 times in FY2016 while it was 1.63 times in FY2015. The DSCR of the company stands at 1.66 times in FY2016 as against 1.57 times in FY2015. The company operates in an intensely competitive segment of the auto component industry.

However, ASL has long track record of operations. The promoters, Mrs. Jaspal Kaur, Ms. Sandeep Kaur Riat and Mr. Amrit Pal Riat have around two decades of experience in the industry.

Rating Sensitivity Factors

- Improvement in revenue and profitability profile
- Movement in working capital cycle

Outlook – Stable

SMERA believes that ASL will maintain a stable outlook in the medium term owing to its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues and cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

The Punjab-based ASL, incorporated in 1974 is engaged in the manufacture of spring leafs and motor parts and has installed capacity of 1200 MT per month. The company purchases raw material- iron and steel from suppliers in Punjab, Rajasthan, U.P and Delhi and sells the product in domestic as well as international markets (Australia, France, Nigeria and others).

For FY2016, the company reported profit after tax (PAT) of Rs.0.18 crore on operating income of Rs.34.41 crore, as compared with PAT of Rs.0.14 crore on operating income of Rs.28.28 crore in FY2015. The net worth stood at Rs.2.35 crore as on March 31, 2016 against Rs.2.17 crore a year earlier.

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ABOUT SMERA

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