

February 11, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit*	2.00	SMERA BB+/Stable (Reaffirmed)
Term Loan	5.13	SMERA BB+/Stable (Reaffirmed)
Packing Credit*	5.00	SMERA A4+ (Reaffirmed)
FOBP/FOUBP/FABC*	5.00	SMERA A4+ (Reaffirmed)
FOBLC*	5.00	SMERA A4+ (Reaffirmed)
Letter of Credit	0.40	SMERA A4+ (Reaffirmed)
Bank Guarantee	0.03	SMERA A4+ (Reaffirmed)

*PC+FOBP/FOUBP/FABC/FOBLC+CC<= Rs.10.40 crore

SMERA has reaffirmed the ratings of '**SMERA BB+**' (read as **SMERA double B plus**) and '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.15.96 crore bank facilities of Stork Rubber Products Private Limited (SRPPL). The outlook is '**Stable**'. SRPPL holds 60 per cent stake in Stork Auto Engineering Private Limited (SAEPL). SMERA's ratings are based on the consolidated financials of SRPPL and SAEPL. The two companies are collectively referred to as the 'Stork Group'. The ratings continue to draw comfort from SRPPL's established track record of operations and experienced management. The ratings are also supported by the company's reputed clientele and moderate financial risk profile. However, the ratings are constrained by the company's exposure to intense competition in the auto ancillary industry. The ratings note that the company's financial profile is susceptible to volatility in raw material prices and cyclicity in the automobile industry. The ratings are also constrained by the company's stretched liquidity position.

Update

Stork Phobos Electricals Private Limited (former subsidiary of SRPPL) was merged with SRPPL on November 25, 2014. The merger became effective from April 01, 2013. Post-merger, SRPPL's installed manufacturing capacity (for rubber components) has increased by 30 lakh pieces per annum.

Stork Group has moderated its capex programme in view of subdued demand in the export market. The group has incurred capex of ~Rs.3.00 crore in FY2013-14, against total planned expenditure of Rs.10.00 crore for FY2013-14 and FY2014-15. SRPPL commissioned its Chennai manufacturing unit in January 2014. The new unit has installed capacity of 18 lakh pieces per annum.

Stork Group's overall gearing (debt-equity ratio) is moderate at 1.33 times as on March 31, 2014. The group's revenues have increased from Rs.45.07 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.54.01 crore in FY2013-14 on account of increase in domestic sales,

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which account for ~30 per cent of the total revenues. Stork Group registered gross sales of Rs.39.56 crore (provisional) during April 2014 to December 2014.

Stork Group faces intense competition from several players in the auto ancillary industry. The group's profit margins remain susceptible to volatility in raw material prices.

SRPPL's stretched liquidity position is reflected in high utilisation (92 per cent) of working capital limit during May 2014 to December 2014.

Outlook: Stable

SMERA believes the outlook on SRPPL's rated facilities will remain stable over the medium term. The company will continue to benefit from its experienced management and established relations with customers. The outlook maybe revised to 'Positive' in case the company registers sustained growth in revenues while achieving significant improvement in profit margins. Conversely, the outlook maybe revised to 'Negative' in case of steep decline in the company's revenues and profit margins, or in case of significant deterioration in the company's financial risk profile.

About the company

SRPPL, incorporated in 1994, is a Gurgaon-based company engaged in manufacturing and export of rubber and rubber-to-metal bonded components. SRPPL is promoted by Mr. Jagdeep Singh Rangar and Mrs. Mandeep Rangar. The company operates three manufacturing facilities in Gurgaon (Haryana), Chennai (Tamil Nadu) and Sitarganj (Uttarakhand).

For FY2013-14, Stork Group reported profit after tax (PAT) of Rs.1.10 crore on operating income of Rs.54.01 crore, as compared with net loss of Rs.0.02 crore on operating income of Rs.45.07 crore in FY2012-13. The group's net worth stood at Rs.12.46 crore as on March 31, 2014, as compared with Rs.11.29 crore a year earlier.

On a standalone basis, SRPPL reported PAT of Rs.0.74 crore on operating income of Rs.49.51 crore in FY2013-14, as compared with net loss of Rs.0.22 crore on operating income of Rs.41.21 crore in FY2012-13.

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