January 20, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit*	2.00	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Term Loan	5.13	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Packing Credit*	5.00	SMERA A3 (Upgraded from SMERA A4+)
FOBP/FOUBP/FABC*	5.00	SMERA A3 (Upgraded from SMERA A4+)
FOBLC*	5.00	SMERA A3 (Upgraded from SMERA A4+)
Letter of Credit	0.40	SMERA A3 (Upgraded from SMERA A4+)
Bank Guarantee	0.03	SMERA A3 (Upgraded from SMERA A4+)

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

SMERA has upgraded the ratings on the Rs.15.96 crore bank facilities of Stork Rubber Products Private Limited (SRPPL) to **'SMERA BBB-' (read as SMERA triple B minus)** from 'SMERA BB+ (read as SMERA double B plus) and **'SMERA A3' (read as SMERA A three)** from SMERA A4+ (read as SMERA A four plus). The outlook is **'Stable'**. SMERA has consolidated the business and financial risk profiles of SRPPL and SAEPL together referred to as the Stork Group. The consolidation is in view of the common ownership and operational linkages within the group. Besides, SRPPL holds 60 per cent stake in Stork Auto Engineering Private Limited (SAEPL).

The rating upgrade is in view of the group's improved profitability and comfortable financial risk profile. The ratings continue to draw comfort from SRPPL's established track record of operations, experienced management and reputed clientele. However, the ratings are constrained by the company's exposure to intense competition in the auto ancillary industry. The ratings note that the financial profile is susceptible to volatility in raw material prices and cyclicality in the automobile industry. The ratings are also constrained by the company's stretched liquidity position.

Update

The Stork Group's revenues have remained almost stagnant in FY2014-15 (refers to financial year, April 01 to March 31) at Rs.53.11 crore (exports around ~64 per cent of the total revenues) compared to Rs.54.01 crore in FY2013-14 mainly on account of subdued demand in the export market. Further, the group has earned revenues of around Rs.29.38 crore (provisional) during the period April to September, 2015. The group's operating margins have improved from 11.38 per cent to 12.35 per cent mainly on account of price negotiation with domestic customers and discontinuation of low margin products.

The group's overall gearing (debt-equity ratio) is moderate at 1.23 times as on March 31, 2015. The interest coverage ratio and debt coverage ratio stand comfortable at 4.22 and 1.85 times respectively in FY2015. However, there is high utilisation (93 per cent) of working capital limit during June 2015 to November 2015 indicating stretched liquidity position.

Rating Sensitivity Factors

- Ability to scale up its revenues while increasing profitability
- Maintaining the capital structure while venturing into debt funded capex plan
- Efficient working capital management

Outlook: Stable

SMERA believes that 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 revenues and profit margins, or significant deterioration in the company's financial risk profile.

About the Company

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

SAEPL, incorporated in 2001, is a Gurgaon-based company engaged in the manufacture of automobile cables. The company sells around ~60-70 per cent of its product to its parent company (SRPPL). SRPPL holds 60 percent in the company.

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