

Press Release

Stork Rubber Products Private Limited (SRPPL)

May 29, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.25.20 Cr (Enhanced from Rs.15.96 cr)
Long Term Rating	SMERA BBB-/Stable (Reaffirmed)
Short Term Rating	SMERA A3 (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs.15.93 cr bank facilities and assigned the ratings of **SMERA BBB-/Stable/SMERA A3** on Rs.8.48 cr bank facilities of Stork Rubber Products Private Limited (SRPPL). The outlook is '**Stable**'.

SMERA has also withdrawn the rating of SMERA BBB- (read as SMERA triple B minus) on term loan Rs 0.79 cr on account of full payment of dues against the rated facilities.

The ratings reaffirmed on account of experienced management, comfortable financial risk profile and healthy profitability. However, the ratings are constrained by the company's working capital intensive operations and cyclical in the automobile industry.

List of key rating drivers and their detailed description

Strengths:

Experienced management: Mr. Jagdeep Singh Rangar, Managing Director, has an experience of more than four decades and Mr. Rajvinder Singh Rangar has an experience of more than three years in the auto ancillary industry. The management's extensive experience has resulted in established presence in domestic as well the export market and long standing relationship with reputed customers like Delphi Lockheed Automotive (United Kingdom), Ferdinand Bilstein GmbH & Co KG (Germany), and Bridgestone India Automotive Products Private Limited (India) amongst others.

Comfortable financial risk profile: The networth stood moderate at Rs.17.35 cr as on March 31, 2016. The total debt of Rs.15.61 cr mainly consists of short term debt of Rs.11.38 cr, long term loans of Rs.2.94 cr and unsecured loan from relatives and friends of Rs.1.29 cr, thus providing a comfortable capital structure with gearing of around 0.90 times as on 31 March, 2016.

The Stork-group generated net cash accruals of Rs.6.31 cr for FY2016 as against Rs. 4.84 cr for FY2015. The debt protection metrics of the company are comfortable with NCATD (Net cash accruals to Total Debt) of 0.40 times for FY2016 (0.28 times in FY2015). The interest coverage also stood comfortable at 4.62 times in FY2016.

Further the company has availed term loans to the extent of ~Rs.7.57 cr in FY2017 for regular capex and working capital funding. SMERA believes that financial risk profile is likely to remain comfortable even after factoring in the additional debt primarily on account of steady growth in revenues and healthy profitability.

Healthy profitability: The operating margins have improved to 14.14 per cent in FY2016 from 12.35 per cent in FY2015 mainly on account of control in the overhead expenses. Further the company also benefitted from foreign exchange fluctuation gain in FY2016.

The operating margins are however exposed to fluctuation in the raw material prices with rubber and steel prices being the major portion of raw materials. The ability of the company to pass on the sharp variations in raw material prices amidst intense competition in the auto ancillary industry will be the key rating sensitivity.

Weaknesses:

Working capital intensive operations: The Stork-group's Gross Current Asset days continue to stand high at around 168 days when compared to 176 days mainly on account of moderately high collection period of around 84 days and inventory holding of around 45 days as on March 31, 2016. The average working capital limit utilisation stands moderately high at ~ 83 per cent during June to March, 2017.

SMERA believes that the efficient working capital management will be crucial to maintain a stable credit profile.

Cyclicalities associated with the automobile industry: The Stork-group is exposed to inherent cyclicalities associated with the automobile industry due to its correlation with the macroeconomic environment.

Analytical approach: For arriving at the ratings, SMERA has consolidated the business and financial risk profiles of Stork Rubber Products Private Limited (SRPPL) and Stork Auto Engineering Private Limited (SAEPL), together referred to as the Stork-Group. The group has significant operational and financial linkages apart from a common management. SAEPL is a subsidiary of SRPPL with 60 per cent holding. Further SAEPL sells around ~60-70 per cent of its product to SRPPL.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Criteria for Consolidation of Companies - <https://www.smera.in/criteria-consolidation.htm>
- Application of Financial Ratios & Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes the outlook on SRPPL's 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 and improvement in working capital management. 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 Rated Entity

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). The company derives around 52 per cent of its total revenues from exports to Europe, USA and South Africa.

SAEPL (SRPPL holds 60 per cent shares), 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).

For FY2015-16, SRPPL reported profit after tax (PAT) of Rs.3.28 cr on operating income of Rs.58.82 cr, as compared to profit after tax (PAT) of Rs.1.61 cr on operating income of Rs.53.11 cr in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Cr)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Packing Credit**	ST	5.00	SMERA A3 (Reaffirmed)	Jan 20 2016	SMERA A3 (Upgrade)	Feb 11,2015	SMERA A4 (Reaffirm)	14 Nov 2013	SMERA A4+ (Assigned)
Cash Credit**	LT	2.70	SMERA BBB-/Stable (Reaffirmed)	Jan 20, 2016	SMERA BBB-/Stable (Upgrade)	Feb 11, 2015	SMERA BB+/Stabl (Reaffirm)	14 Nov 2013	SMERA BB+/Stabl (Assigned)
Term Loan I	LT	0.79	SMERA BBB-/Stable (Withdrawal)	Jan 20, 2016	SMERA BBB-/Stable (Upgrade)	Feb 11, 2015	SMERA BB+/Stabl (Reaffirm)	14 Nov 2013	SMERA A4+ (Assigned)
Term Loan II	LT	0.34	SMERA BBB-/Stable (Reaffirmed)	Jan 20, 2016	SMERA BBB-/Stable (Upgrade)	Feb 11, 2015	SMERA BB+/Stabl (Reaffirm)	14 Nov 2013	SMERA A4+ (Assigned)

Term Loan III	LT	0.97	SMERA BBB-/Stable (Reaffirmed)	Jan 20, 2016	SMERA BBB-/Stable (Upgrade)	Feb 11, 2015	SMERA BB+/Stable (Reaffirmed)	14 Nov 2013	SMERA A4+ (Assigned)
Term Loan IV	LT	0.69	SMERA BBB-/Stable (Reaffirmed)	-	-	-	-	-	-
Term Loan V	LT	1.50	SMERA BBB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan (Loan Against Property)	LT	2.50	SMERA BBB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	3.75	SMERA BBB-/Stable (Assigned)	-	-	-	-	-	-
FOBP/FOUB P/FABC**	ST	5.00	SMERA A3 (Reaffirmed)	Jan 20, 2016	SMERA A3 (Upgrade)	Feb 11, 2015	SMERA A4+ (Reaffirmed)	14 Nov 2013	SMERA A4+ (Assigned)
FOBLC**	ST	5.00	SMERA A3 (Reaffirmed)	Jan 20, 2016	SMERA A3 (Upgrade)	Feb 11, 2015	SMERA A4+ (Reaffirmed)	14 Nov 2013	SMERA A4+ (Assigned)
Bank Guarantee#	ST	0.95	SMERA A3 (Reaffirmed)	Jan 20, 2016	SMERA A3 (Upgrade)	Feb 11, 2015	SMERA A4+ (Reaffirmed)	14 Nov 2013	SMERA A4+ (Assigned)
Inland Letter of credit#	ST	0.20	SMERA A3 (Reaffirmed)	Jan 20, 2016	SMERA A3 (Upgrade)	Feb 11, 2015	SMERA A4+ (Reaffirmed)	14 Nov 2013	SMERA A4+ (Assigned)
Import Letter of credit#	ST	0.30	SMERA A3 (Reaffirmed)	Jan 20, 2016	SMERA A3 (Upgrade)	Feb 11, 2015	SMERA A4+ (Reaffirmed)	14 Nov 2013	SMERA A4+ (Assigned)

Negotiation of Bills under ILC**	ST	1.00	SMERA A3 (Assigned)	-	-	-	-	-	-
Proposed Long Term Facilities	LT	0.73	SMERA BBB-/Stable (Assigned)					-	-

**PC+FOBP/FOUBP/FABC+CC+ Negotiation of bills under ILC<= Rs. 12.70 crore

BG+ILC+FLC<Rs.1.23 crore

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs in cr)	Ratings/Outlook
Packing Credit**	NA	NA	NA	5.00	SMERA A3 (Reaffirmed)
Cash Credit**	NA	NA	NA	2.70	SMERA BBB-/Stable (Reaffirmed)
Term Loan I	NA	NA	-	0.79	SMERA BBB-/Stable (Withdrawal)
Term Loan II	NA	NA	13/Jul/2017	0.34	SMERA BBB-/Stable (Reaffirmed)
Term Loan III	NA	NA	26/Jun/2020	0.97	SMERA BBB-/Stable (Reaffirmed)
Term Loan IV	NA	NA	07/Aug/2020	0.69	SMERA BBB-/Stable (Reaffirmed)
Term Loan V	NA	NA	Dec,2021	1.50	SMERA BBB-/Stable (Assigned)
Term Loan (Loan Against Property)	NA	NA	16/Jun/2031	2.50	SMERA BBB-/Stable (Assigned)
Term Loan	NA	NA	02/Aug/2022	3.75	SMERA BBB-/Stable (Assigned)
FOBP/FOUBP/FABC**	NA	NA	NA	5.00	SMERA A3 (Reaffirmed)
FOBLC**	NA	NA	NA	5.00	SMERA A3 (Reaffirmed)

Bank Guarantee#	NA	NA	NA	0.95	SMERA A3 (Reaffirmed)
Inland Letter of Credit#	NA	NA	NA	0.20	SMERA A3 (Reaffirmed)
Import Letter of Credit#	NA	NA	NA	0.30	SMERA A3 (Reaffirmed)
Negotiation of Bills under Inland Letter of Credit**	NA	NA	NA	1.00	SMERA A3 (Assigned)
Proposed Long Term Facilities	NA	NA	NA	0.73	SMERA BBB- /Stable (Assigned)

**PC+FOBP/FOUBP/FABC+CC++FOBLC+ Negotiation of bills under ILC<= Rs. 12.70 cr

BG+ILC+FLC<Rs.1.23 cr

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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