

## Press Release

**Stork Rubber Products Private Limited (SRPPL)**

**23 February, 2018**



**Rating Reaffirmed, Assigned & Withdrawn**

<b>Total Bank Facilities Rated*</b>	Rs. 30.20 Cr. (Enhanced from Rs. 25.20 Cr.)
<b>Long Term Rating</b>	SMERA BBB-/Stable (Reaffirmed)
<b>Short Term Rating</b>	SMERA A3 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

SMERA has reviewed and 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. 29.92 crore bank facilities of Stork Rubber Products Private Limited (SRPPL). The outlook is 'Stable'

Further, SMERA has assigned the long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) on Rs. 0.28 crore bank facilities and withdrawn the long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) on the Rs. 0.34 crores bank facilities of Stork Rubber Products Private Limited. The outlook is 'Stable'.

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

Stork Auto Engineering Private Limited (SARPL), in which SRPPL holds 60 per cent shares, incorporated in 2001, is a Gurgaon-based company engaged in the manufacture of automobile cables. The company sells approximately 60-70 per cent of its product to its parent company (SRPPL).

### Key rating drivers

#### Strengths

#### Experienced management

Mr. Jagdeep Singh Rangar, Managing Director and Mr. Rajvinder Singh Rangar has an experience of more than three decades in the similar industry. The company has long standing relationship with customers with established presence in the domestic as well the export market.

## **Moderate financial risk profile**

The financial risk profile of the Group is marked by moderate net worth of Rs.20.71 crore as on March 31, 2017 (as against Rs.17.35 crore as on March 31, 2016) due to plough back of profits. The overall gearing stood at 1.11 times on March, 2017 as against 0.90 times as on March, 2016. Interest coverage ratio (ICR) stood healthy at 4.40 times and DSCR at 2.45 times in FY2017 against 4.70 times and 2.36 times respectively in FY2016. Further the group has a total debt of Rs.22.91 crores for FY2017 comprising long term debt of Rs.8.39 crores, short term borrowings of Rs.13.38 crores and unsecured loans from promoters and relatives of Rs.1.14 crores. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.29 times in FY2017 against 0.40 times in FY2016.

## **Reputed clientele**

The Group exports almost 60% of its products to various reputed customers including Delphi Lockheed Automotive (United Kingdom), Ferdinand Bilstein GmbH & Co KG (Germany), and Bridgestone India Automotive Products Private Limited (India) amongst others.

## **Weakness**

### **Fluctuating Margins**

The EBITDA margins reduced to 13.10 per cent in FY2017 as against 14.14 per cent in FY2016 and 12.35 per cent in FY15 mainly on account of fluctuation in raw material prices and increase in employee costs. The PAT margins also decreased to 4.93 per cent in FY2017 against 5.58 per cent in FY2016 and 3.03 per cent in FY15.

### **Working capital intensive operations**

Operations of the group are working capital intensive marked by moderately high Gross Current Asset (GCA) of 192 days in FY2017 compared to 168 days in FY2016. The GCA days are mainly contributed by high debtor days of 111 days in FY2017 against 84 days in FY2016. The average cash credit utilization for the past six months stood at ~85-90 per cent. SMERA believes that efficient working capital management will be crucial for the company in order to maintain a stable credit profile.

### **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 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.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	69.43	58.82	53.11
EBITDA	Rs. Cr.	9.09	8.32	6.56
PAT	Rs. Cr.	3.42	3.28	1.61
EBITDA Margin	(%)	13.10	14.14	12.35
PAT Margin	(%)	4.93	5.58	3.03
ROCE	(%)	15.52	16.48	10.89
Total Debt/Tangible Net Worth	Times	1.11	0.90	1.23
PBDIT/Interest	Times	4.40	4.70	4.26
Total Debt/PBDIT	Times	2.50	1.85	2.61
Gross Current Assets (Days)	Days	192	168	176

### Any other information:

Not Applicable

### Applicable Criteria

- Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

### Status of non-cooperation with previous CRA (if applicable):

Not Applicable

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
29-May-2017	Packing Credit**	Short Term	5.00	SMERA A3 (Reaffirmed)
	Cash Credit**	Long Term	2.70	SMERA BBB-/Stable (Reaffirmed)
	Term Loan I	Long Term	0.79	SMERA BBB-/Stable (Withdrawal)
	Term Loan II	Long Term	0.34	SMERA BBB-/Stable (Reaffirmed)
	Term Loan III	Long Term	0.97	SMERA BBB-/Stable (Reaffirmed)
	Term Loan IV	Long Term	0.69	SMERA BBB-/Stable (Reaffirmed)
	Term Loan V	Long Term	1.50	SMERA BBB-/Stable (Assigned)
	Term Loan (Loan against Property)	Long Term	2.50	SMERA BBB-/Stable (Assigned)
	Term Loan	Long Term	3.75	SMERA BBB-/Stable (Assigned)
	FOBP/FOUBP/FABC**	Short Term	5.00	SMERA A3 (Reaffirmed)
	FOBLC**	Short Term	5.00	SMERA A3 (Reaffirmed)
	Bank Guarantee#	Short Term	0.95	SMERA A3 (Reaffirmed)
	Inland Letter of Credit#	Short Term	0.20	SMERA A3 (Reaffirmed)
	Import Letter of Credit#	Short Term	0.30	SMERA A3 (Reaffirmed)

	Negotiation of Bills under ILC**	Short Term	1.00	SMERA A3 (Assigned)
	Proposed Long Term Facilities	Long Term	0.73	SMERA BBB-/Stable (Assigned)
**PC+FOBP/FOUBP/FABC+CC+ Negotiation of bills under ILC<= Rs. 12.70 crore # BG+ILC+FLC				
20-Jan-2016	Packing Credit**	Short Term	5.00	SMERA A3 (Upgraded from SMERA A4+)
	Cash Credit**	Long Term	2.00	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
	Term Loan	Long Term	5.13	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
	FOBP/FOUBP/FABC**	Short Term	5.00	SMERA A3 (Upgraded from SMERA A4+)
	FOBLC**	Short Term	5.00	SMERA A3 (Upgraded from SMERA A4+)
	Bank Guarantee	Short Term	0.03	SMERA A3 (Upgraded from SMERA A4+)
	Letter of Credit	Short Term	0.40	SMERA A3 (Upgraded from SMERA A4+)
**PC+FOBP/FOUBP/FABC/FOBLC+CC<=Rs. 10.40 crores				
11-Feb-2015	Packing Credit**	Short Term	5.00	SMERA A4+ (Reaffirmed)
	Cash Credit**	Long Term	2.00	SMERA BB+/Stable (Reaffirmed)
	Term Loan	Long Term	5.13	SMERA BB+/Stable (Reaffirmed)
	FOBP/FOUBP/FABC**	Short Term	5.00	SMERA A4+ (Reaffirmed)
	FOBLC**	Short Term	5.00	SMERA A4+ (Reaffirmed)
	Bank Guarantee	Short Term	0.03	SMERA A4+ (Reaffirmed)
	Letter of Credit	Short Term	0.40	SMERA A4+ (Reaffirmed)
**PC+FOBP/FOUBP/FABC/FOBLC+CC<=Rs. 10.40 crores				

**Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Packing Credit**	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A3 (Reaffirmed)
Cash Credit**	Not Applicable	Not Applicable	Not Applicable	5.00 (Enhanced from Rs.2.70 Crs.)	SMERA BBB-/stable (Reaffirmed & Assigned)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	0.34	SMERA BBB- (Withdrawn)
Term Loan III	Not Applicable	Not Applicable	Not Applicable	0.35	SMERA BBB-/Stable (Reaffirmed)
Term Loan IV	Not Applicable	Not Applicable	Not Applicable	0.27	SMERA BBB-/Stable (Reaffirmed)
Term Loan V	Not Applicable	Not Applicable	Not Applicable	1.18	SMERA BBB-/Stable (Reaffirmed)
Term Loan VI	Not Applicable	Not Applicable	Not Applicable	0.28	SMERA BBB-/Stable (Assigned)
Term Loan (Loan against Property)	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BBB-/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.75	SMERA BBB-/Stable (Reaffirmed)
FOBP/FOUBP/FABC**	Not Applicable	Not Applicable	Not Applicable	8.00 (Enhanced from Rs.5.00 Crs.)	SMERA A3 (Reaffirmed & Assigned)
FOBLC**	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A3 (Reaffirmed)
Bank Guarantee#	Not Applicable	Not Applicable	Not Applicable	0.95	SMERA A3 (Reaffirmed)
Inland Letter of Credit#	Not Applicable	Not Applicable	Not Applicable	0.20	SMERA A3 (Reaffirmed)
Import Letter of Credit#	Not Applicable	Not Applicable	Not Applicable	0.30	SMERA A3 (Reaffirmed)
Negotiation of Bills under ILC**	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3 (Reaffirmed)
Proposed Long Term Facilities	Not Applicable	Not Applicable	Not Applicable	2.64	SMERA BBB-/Stable (Reaffirmed)

**\*\*PC+FOBP/FOUBP/FABC+CC+ Negotiation of bills under ILC<= Rs. 18.00 crore**
**#BG+ILC+FLC+<Rs.1.23 crore**

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## ABOUT SMERA

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