

Press Release

Stork Rubber Products Private Limited

May 08, 2019



Rating Reaffirmed and Withdrawn

| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs. 30.20 Cr. |
| Long Term Rating | ACUITE BBB- / Outlook: Stable (Reaffirmed) |
| Short Term Rating | ACUITE A3 (Reaffirmed) |

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating to '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating to '**ACUITE A3**' (**read as ACUITE A three**) to the Rs. 30.20 crore bank facilities of Stork Rubber Products Private Limited (SRPL).

Further, Acuite has withdrawn the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.0.61 crore term loan bank facilities of Stork Rubber Products Private Limited. The outlook is '**Stable**'.

The rating continues to reflect comfortable financial risk profile, adequate liquidity position and sustained improvement in operating revenue. These strengths are partially offset by elongated working capital nature of operations and dip in profitability owing to fluctuating raw material prices.

Incorporated in 1994, SRPL 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 (Uttrakhand).

About the group

Stork Group was founded in 1994 by Mr. Jagdeep Singh Rangar and Mrs. Mandeep Rangar. The group includes Stork Rubber Products Private Limited (SRPL) and Stork Auto Engineering Private Limited (SAPL). The group is engaged manufacture and export of rubber and rubber metal bonded components.

Stork Auto Engineering Private Limited (SAPL), in which SRPL 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 (SRPL).

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management

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

- **Reputed clientele**

The group exports almost 60 percent 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.

- **Comfortable financial risk profile**

The financial risk profile of the group is comfortable marked by healthy net worth, moderate gearing and comfortable debt protection metrics. The net worth stood comfortable at Rs. 23.60 crore as on 31 March, 2018 as against Rs. 20.83 crore as on 31 March, 2017. Continued capex for expansion and up gradation of existing facility has resulted in moderate gearing of around 1.10 times in the past 2 years ended FY'2018. The total debt of Rs. 25.85 crore outstanding as on 31 March, 2018 comprises of long term debt of Rs. 5.33 crore term loan, Rs. 18.25 crore as a working capital facility and Rs 0.63 crore of unsecured loans from promoters. The debt protection metrics remained healthy with interest coverage ratio at 3.74 times in FY2018 as compared to 4.40 times in FY2017. The debt service coverage ratio (DSCR) remained comfortable at 1.99 times in FY2018 as against 2.45 times in the previous year. NCA/TD ratio has remained moderate at 0.23 times in FY2018.

Weaknesses

- **Margins remain exposed to adverse movement in raw material prices**

The margins of Stork group remain partially exposed to any adverse movement in the prices of key raw materials viz. rubber and metals such as aluminum and steel. As the company has limited pricing flexibility owing to intense competition in the industry, any adverse movement in raw material costs could directly affect the margins. The volatility in profitability margin is reflected in profit declining from 14.14 percent in FY2016 to 13.10 percent in FY2017. The profitability improved marginally in FY2018 to 13.16 percent. However, with steep increase in metal price in FY2019, the profitability is expected to decline.

- **Working capital intensive nature of operations**

Stork group's working capital operations are intensive in nature as reflected by gross current assets (GCA) of 210 days as on March 31, 2018 as against 192 days in the previous year. The GCA days are dominated by credit extended to customers of 115 days as against 111 days in the previous year. Inventory accounts for 39 days as on March 31, 2018. Given the intensive competition and low product value, the group is expected to continue to extended credit period up to 120 days. However, established relations with reputed customers provide some comfort.

Liquidity Position:

Stork group has adequate liquidity. The group generated cash accruals of Rs.6.00-6.31 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.1.45-1.70 crore over the same period. The cash accruals of the company are estimated to remain comfortable to meets its repayment obligations during 2019-21. The cash credit limit in the company remained utilised at 79 percent during the last 6 months period ended March, 2019. The company maintains unencumbered cash and bank balances of Rs.2.41 crore as on March 31, 2018. The current ratio of the company stood modest at 1.20 times as on March 31, 2018.

Outlook: Stable

Acuite believes that Stork group will maintain 'Stable' outlook over the medium term from its promoters' long standing experience in the industry and sustained improvement in business risk profile. The outlook may be revised to 'Positive' if the group achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability or the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 74.95 | 69.43 | 58.82 |
| EBITDA | Rs. Cr. | 9.86 | 9.09 | 8.32 |
| PAT | Rs. Cr. | 2.76 | 3.42 | 3.28 |
| EBITDA Margin | (%) | 13.16 | 13.10 | 14.14 |
| PAT Margin | (%) | 3.68 | 4.93 | 5.58 |
| ROCE | (%) | 14.66 | 15.52 | 32.37 |
| Total Debt/Tangible Net Worth | Times | 1.10 | 1.11 | 0.90 |
| PBDIT/Interest | Times | 3.74 | 4.40 | 4.70 |
| Total Debt/PBDIT | Times | 2.55 | 2.50 | 1.85 |
| Gross Current Assets (Days) | Days | 210 | 192 | 168 |

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Crore) | Ratings/Outlook |
|-------------------|-----------------------------------|------------|--------------------------------------|--|
| 23 February, 2018 | Packing Credit** | Short Term | 5.00 | ACUITE A3 (Reaffirmed) |
| | Cash Credit** | Long Term | 5.00 (Enhanced from Rs.2.70 Crs.) | ACUITE BBB-/stable (Reaffirmed & Assigned) |
| | Term Loan II | Long Term | 0.34 | ACUITE BBB- (Withdrawn) |
| | Term Loan III | Long Term | 0.35 | ACUITE BBB-/Stable (Reaffirmed) |
| | Term Loan IV | Long Term | 0.27 | ACUITE BBB-/Stable (Reaffirmed) |
| | Term Loan V | Long Term | 1.18 | ACUITE BBB-/Stable (Reaffirmed) |
| | Term Loan VI | Long Term | 0.28 | ACUITE BBB-/Stable (Assigned) |
| | Term Loan (Loan against Property) | Long Term | 2.50 | ACUITE BBB-/Stable (Reaffirmed) |
| | Term Loan | Long Term | 3.75 | ACUITE BBB-/Stable (Reaffirmed) |

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|-------------|--------------------------------------|------------|---|------------------------------------|
| 29-May-2017 | FOBP/FOUBP/FABC** | Short Term | 8.00 (Enhanced from Rs.5.00 Crs.) | ACUITE A3 (Reaffirmed) |
| | FOBLC** | Short Term | 5.00 | ACUITE A3 (Reaffirmed) |
| | Bank Guarantee# | Short Term | 0.95 | ACUITE A3 (Reaffirmed) |
| | Inland Letter of Credit# | Short Term | 0.20 | ACUITE A3 (Reaffirmed) |
| | Import Letter of Credit# | Short Term | 0.30 | ACUITE A3 (Reaffirmed) |
| | Negotiation of Bills under ILC** | Short Term | 1.00 | ACUITE A3 (Reaffirmed) |
| | Proposed Long Term Facilities | Long Term | 2.64 | ACUITE BBB-/Stable (Reaffirmed) |
| | Packing Credit** | Short Term | 5.00 | ACUITE A3 (Reaffirmed) |
| | Cash Credit** | Long Term | 2.70 | ACUITE BBB-/Stable (Reaffirmed) |
| | Term Loan I | Long Term | 0.79 | ACUITE BBB-/Stable (Withdrawal) |
| | Term Loan II | Long Term | 0.34 | ACUITE BBB-/Stable (Reaffirmed) |
| | Term Loan III | Long Term | 0.97 | ACUITE BBB-/Stable (Reaffirmed) |
| | Term Loan IV | Long Term | 0.69 | ACUITE BBB-/Stable (Reaffirmed) |
| | Term Loan V | Long Term | 1.50 | ACUITE BBB-/Stable (Assigned) |
| | Term Loan (Loan against Property) | Long Term | 2.50 | ACUITE BBB-/Stable (Assigned) |
| | Term Loan | Long Term | 3.75 | ACUITE BBB-/Stable (Assigned) |
| | FOBP/FOUBP/FABC** | Short Term | 5.00 | ACUITE A3 (Reaffirmed) |
| | FOBLC** | Short Term | 5.00 | ACUITE A3 (Reaffirmed) |
| | Bank Guarantee# | Short Term | 0.95 | ACUITE A3 (Reaffirmed) |
| | Inland Letter of Credit# | Short Term | 0.20 | ACUITE A3 (Reaffirmed) |

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|-------------|--|------------|------|--|
| | Import Letter of Credit# | Short Term | 0.30 | ACUITE A3 (Reaffirmed) |
| | Negotiation of Bills under ILC** | Short Term | 1.00 | ACUITE A3 (Assigned) |
| | Proposed Long Term Facilities | Long Term | 0.73 | ACUITE 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 | ACUITE A3 (Upgraded from ACUITE A4+) |
| | Cash Credit** | Long Term | 2.00 | ACUITE BBB-/Stable (Upgraded from ACUITE BB+/Stable) |
| | Term Loan | Long Term | 5.13 | ACUITE BBB-/Stable (Upgraded from ACUITE BB+/Stable) |
| | FOBP/FOUBP/FABC** | Short Term | 5.00 | ACUITE A3 (Upgraded from ACUITE A4+) |
| | FOBLC** | Short Term | 5.00 | ACUITE A3 (Upgraded from ACUITE A4+) |
| | Bank Guarantee | Short Term | 0.03 | ACUITE A3 (Upgraded from ACUITE A4+) |
| | Letter of Credit | Short Term | 0.40 | ACUITE A3 (Upgraded from ACUITE A4+) |
| | **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. Cr.) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-----------------------------|---------------------------------|
| Packing Credit** | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE A3 (Reaffirmed) |
| Cash Credit** | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE BBB-/Stable (Reaffirmed) |
| Term Loan III | Not Applicable | Not Applicable | Not Applicable | 0.34 | ACUITE BBB- (Withdrawn) |
| Term Loan IV | Not Applicable | Not Applicable | Not Applicable | 0.27 | ACUITE BBB- (Withdrawn) |
| Term Loan VI | Not Applicable | Not Applicable | Not Applicable | 0.67 | ACUITE BBB-/Stable (Reaffirmed) |
| FOBP/FOUBP/FABC** | Not Applicable | Not Applicable | Not Applicable | 8.00 | ACUITE A3 (Reaffirmed) |
| FOBLC** | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE A3 (Reaffirmed) |

| | | | | | |
|---------------------------------|----------------|----------------|----------------|------|---------------------------------|
| Term Loan V | Not Applicable | Not Applicable | Not Applicable | 0.78 | ACUITE BBB-/Stable (Reaffirmed) |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 2.50 | ACUITE BBB-/Stable (Reaffirmed) |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 2.56 | ACUITE BBB-/Stable (Reaffirmed) |
| Negotiation of Bills under LC** | Not Applicable | Not Applicable | Not Applicable | 1.00 | ACUITE A3 (Reaffirmed) |
| Proposed | Not Applicable | Not Applicable | Not Applicable | 4.46 | ACUITE BBB-/Stable (Reaffirmed) |
| Bank Guarantee* | Not Applicable | Not Applicable | Not Applicable | 0.95 | ACUITE A3 (Reaffirmed) |
| Inland Letter of credit* | Not Applicable | Not Applicable | Not Applicable | 0.20 | ACUITE A3 (Reaffirmed) |
| Import Letter of credit* | Not Applicable | Not Applicable | Not Applicable | 0.30 | ACUITE A3 (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 Acuité Ratings & Research:

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