

Press Release

Stork Rubber Products Private Limited

July 09, 2020

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.30.20 crore bank facilities of Stork Rubber Products Private Limited (SRPPL). The outlook is revised to '**Negative**' from '**Stable**'.

SRPPL was incorporated in 1994. The current directors of the company are Mrs. Mandeep Rangar, Mr. Jagdeep Singh Rangar and Mr. Rajvinder Singh Rangar. The company is engaged in the manufacturing of rubber components, metal bonded components, control cables, etc. for automobile manufacturers. The company has facilities located in Gurgaon, Chennai and Sitarganj.

About the Group

Stork Group includes Stork Rubber Products Private Limited (SRPPL) and Stork Auto Engineering Private Limited (SAPL). SAPL, in which SRPPL has 60 per cent share, 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).

Analytical Approach

To arrive at this rating, Acuité has consolidated the business and financial risk profiles of Stork Rubber Products Private Limited (SRPPL) and Stork Auto Engineering Private Limited (SAPL) together referred to as Stork Group. The consolidation is in view of similarity in the line of business, common management, operational synergies among the entities. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

SRPPL was incorporated in 1994. The directors of the company are Mr. Jagdeep Singh Rangar, Mrs. Mandeep Rangar and Mr. Rajvinder Singh Rangar, who have amassed about three decades of experience in the aforementioned line of business. The established track record of operations and experience of management has helped the group to develop healthy relationships with customers and suppliers.

Acuité believes that SG will continue to benefit through the experienced management and established track record of operations.

- **Moderate financial risk profile**

The group has moderate financial risk profile marked by moderate net worth, low gearing and above-average debt protection metrics. The net worth stood at Rs.26.45 crore (Prov) as on 31 March, 2020 as against Rs.26.10 crore as on 31 March 2019 due to modest accretion to reserves. The group has followed a conservative financial policy in the past, the same is reflected through its gearing levels of 1.08 times as on March 31, 2019. The gearing improved to 0.73 times (Prov) as on March 31, 2020.

The group, on the other hand, generated cash accruals of Rs.4.05 crore (Prov) in FY2020. The profitability levels, though declining, coupled with moderate debt levels, have led to comfortable debt protection measures. The NCA/TD ratio for FY2020 was moderate at 0.21 times (Prov). Further, the interest coverage ratio stood healthy at 3.53 times (Prov) for FY2020 as compared to 4.43 times for FY2019. Total outside liabilities to

total net worth (TOL/TNW) stood at 1.46 times (Prov) as on 31 March, 2020 as against 1.68 times as on 31 March, 2019.

Acuité believes that financial risk profile of the group is likely to remain moderate over the medium term, on account of low gearing and above-average debt protection metrics.

Weaknesses

• Working capital intensive nature of operations

The group's working capital operations remain intensive as reflected by its gross current asset (GCA) days of around 235 days (Prov) for FY2020. The company maintains an inventory of around 40 days (Prov) as on 31 March, 2020 as compared to 33 days as on 31 March 2019. The group extends a credit period of around 90-120 days to its customer and same is the case with supplier credit terms. The debtor days remain intensive at 129 days (Prov) in FY2020 as compared to 123 days in FY2019. However, the bank limit utilization remained low at ~63.37 percent for the six month period ended in April 2020. Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of the stretched debtor days.

• Susceptibility of profitability margins to volatility 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 aluminium and steel, as the group 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 by a decline in EBITDA margins to 8.12 percent (Prov) in FY2020 as against 10.91 percent in FY2019. Subsequently, there has been a significant impact on PAT margins, ROCE and ROE of the company which plummeted to 0.80 percent (Prov), 4.49 times (Prov) and 2.07 times (Prov) in FY2020, from 3.55 percent, 9.46 times and 10.80 times in FY2019 respectively.

Liquidity position: Adequate

The group has adequate liquidity, marked by adequate net cash accruals to its maturing debt obligations. SG generated cash accruals of Rs.4.05 crore (Prov) for FY2020 with debt repayment obligation of Rs.1.61 crore for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.3.64 crore to Rs.4.45 crore during 2021-23 against debt repayment obligations in the estimated range of around Rs.0.79-Rs.1.59 crore per year in the same period. The group's working capital operations are intensive marked by 235 days (Prov) gross current asset (GCA) for FY2020. The average bank limit utilization for the past six months ended April 2020 stood at ~63.37 percent. SG maintains unencumbered cash and bank balances of Rs. 2.42 crore (Prov) as on 31 March 2020. The current ratio stood at 1.32 times (Prov) as on 31 March 2020. Acuité believes that the liquidity of the group is likely to remain adequate on account of adequate cash accrual against debt repayments over the medium term.

Rating Sensitivities:

- Significant improvement in operating performance
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Material Covenants

None

Outlook: Negative

Acuité believes that the SG's credit profile will be impacted by significant moderation in the operating income and elongated working capital cycle over the near to medium term. The outlook reflects the risk associated with the continued downturn in automobile industry coupled with possible disruption in the operations due to the impact of COVID-19. The rating may be downgraded in case of continued decrease in the revenue and profitability margins leading to deterioration in financial risk profile. Conversely, the outlook may be revised to 'Stable' in case of improvement in the business profile of the group, thereby combating the adverse impact.

About the Rated Entity - Key Financials

	Unit	FY20(Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	68.47	79.36
PAT	Rs. Cr.	0.55	2.82
PAT Margin	(%)	0.80	3.55
Total Debt/Tangible Net Worth	Times	0.73	1.08
PBDIT/Interest	Times	3.53	4.43

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation of Companies-<https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of the Instrument/ Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
May 08, 2019	Packing Credit**	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- /Stable (Reaffirmed)
	Term Loan III	Long Term	0.34	ACUITE BBB- (Withdrawn)
	Term Loan IV	Long Term	0.27	ACUITE BBB- (Withdrawn)
	Term Loan VI	Long Term	0.67	ACUITE BBB- /Stable (Reaffirmed)
	FOBP/FOUBP/FABC**	Short Term	8.00	ACUITE A3 (Reaffirmed)
	FOBLC**	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Term Loan V	Long Term	0.78	ACUITE BBB- /Stable (Reaffirmed)
	Term Loan	Long Term	2.50	ACUITE BBB- /Stable (Reaffirmed)

	Term Loan	Long Term	2.56	ACUITE BBB- /Stable (Reaffirmed)
	Negotiation of Bills Under LC**	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Proposed	Long Term	4.46	ACUITE BBB- /Stable (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)
	**PC+FOBP/FOUBP/FABC+CC+Negotiation of Bills under ILC <=Rs. 18.00 crore *BG+ILC+FLC <=Rs.1.23 crore			
February 23, 2018	Packing Credit**	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	5.00 (Enhanced from Rs.2.70 crore)	ACUITE BBB- /Stable (Reaffirmed)
	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)

	FOBP/FOUBP/FABC**	Short Term	8.00 (Enhanced from Rs.5.00 crore)	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 LC**	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Proposed Long Term Facilities	Long Term	2.64	ACUITE BBB- /Stable (Reaffirmed)
29-May-17	Packing Credit**	Long 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- (Withdrawn)
	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)
	Import Letter of Credit*	Short Term	0.30	ACUITE A3 (Reaffirmed)
	Negotiation of Bills under LC**	Short Term	1.00	ACUITE A3 (Assigned)
	Proposed Long Term Facilities	Long Term	0.73	ACUITE BBB- /Stable (Reaffirmed)
**PC+FOBP/FOUBP/FABC+CC+Negotiation of Bills under ILC <=Rs. 12.70 *BG+ILC+FLC				

***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-/ Negative (Reaffirmed)
Term Loan V	30-Sep-16	Not Applicable	31-Dec-21	0.78	ACUITE BBB-/ Negative (Reaffirmed)
Term Loan VI	22-May-18	Not Applicable	31-Dec-22	0.67	ACUITE BBB-/ Negative (Reaffirmed)
Term Loan (Loan Against Property)	17-Jun-19	Not Applicable	02-Sep-28	1.95	ACUITE BBB-/ Negative (Reaffirmed)
Term Loan	11-Nov-16	Not Applicable	10-Sept-23	1.97	ACUITE BBB-/ Negative (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)
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)
Negotiation of Bills Under LC**	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Reaffirmed)
Proposed Long Term Facilities	Not Applicable	Not Applicable	Not Applicable	5.60	ACUITE BBB-/ Negative (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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