

Press Release

Stork Rubber Products Private Limited

January 02, 2023

Rating Reaffirmed



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|---------------------|-----------------------------------|------------------------|
| Bank Loan Ratings | 9.75 | ACUITE BBB- Stable Reaffirmed | - |
| Bank Loan Ratings | 20.45 | - | ACUITE A3 Reaffirmed |
| Total Outstanding Quantum (Rs. Cr) | 30.20 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

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

Rationale for rating reaffirmation

The rating reaffirmation reflects growth in operations for FY2022, reputed clientele, moderate financial risk profile and adequate liquidity position. On the contrary, the working capital operations of the company are moderately intensive in nature.

About Company

SRPPL was incorporated in 1994. The current directors of the company are Mrs. Mandeep Rangar, Mr. Jagdeep 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 was incorporated in 2001 and is a Gurgaon-based company engaged in the manufacture of automobile cables. SRPPL holds 60 per cent share in SAPL.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

To arrive at this rating, Acuite 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, and operational synergies among the entities

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. The group also caters to reputed clientele like Federal Mogul Corporation, Partquip Group and SBS Deutschland GmbH among others.

Revenue and profitability

Stork Group reported operating income of Rs. 81.01 Cr in FY2022 as against Rs. 59.78 Cr in FY2021 and 66.91 Cr in FY2020. Increase in revenue in FY 22 is on the back of recovery in demand post Covid interruptions EBITDA margin deteriorated from 8.05% in FY2021 to 6.52% in FY2022. Net Profit margin moderated from 0.95% in FY2021 to 0.74% in FY2022. (0.67% in FY 20). Decline in profitability margin was on account of increase in prices of raw material.

Stork Group has reported operating income of ~Rs. 40.59 crores for first six months of FY 23 and has currently order in hand for Rs. 21.46 crores.

Moderate financial risk profile

Stork Group has moderate financial risk profile marked by moderate net worth and average debt protection metrics. Group's net worth stood at Rs. 27.49 Cr as on 31st March 2022 as against Rs. 26.89 Cr as on 31st March 2021 and Rs. 26.32 Cr as on 31st March 2020. Gearing levels (debt-to-equity) remains below unity however slightly moderated and stood at 0.91 times in FY22 as against 0.81 times in FY21. Gearing moderated due to additional on boarding of debt. Interest coverage ratio stood at 3.54 times for FY2022 as against 3.93 times for FY2021. However, debt service coverage ratio has deteriorated from 1.76 times in FY2021 to 1.39 times FY2022.

Weaknesses

Intensive Working capital management

Group has improved yet intensive working capital requirements as evident from gross current assets (GCA) of 199 days for FY2022 as against 271 days for FY2021 and 209 days for 2020. Working capital operations was higher in FY 21 due to covid interruptions. Inventory days stood at 40 days as on 31 March 2022 as against 43 days in the previous year. Debtor Days stood at 113 days in FY22 as against 137 days in FY 21. Current Ratio stood at 1.25 times as on 31 March 2022 as against 1.43 in the previous year.

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 aluminum 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

Rating Sensitivities

Growth in Operating income and improvement in Profitability Margin
Slowdown in industry leading to inventory pile up

Material Covenants

None

Liquidity Position

Adequate

The company has adequate liquidity marked by net cash accruals to its maturing debt obligations coupled with moderate utilization of fund-based facility. The average utilization of working capital limits stood at an average of ~61 per cent in the last six months ending September 22. The company generated cash accruals of Rs. 3.65 crore for FY2022 as against Rs. 2.21 crore of repayment obligations for the same period. The company has unencumbered cash and bank balances of Rs. 2.05 crore as on 31st March 2022. Therefore, there are enough net cash accruals & limits available to utilize more funds if required to support incremental requirements.

Outlook: Stable

Acuité believes that SRPPL will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the group registers lower-than-expected growth in revenues and profitability or in case of deterioration in the group's financial risk profile or significant elongation in the working capital cycle.

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 22 (Actual) | FY 21 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 81.01 | 59.78 |
| PAT | Rs. Cr. | 0.60 | 0.57 |
| PAT Margin | (%) | 0.74 | 0.95 |
| Total Debt/Tangible Net Worth | Times | 0.91 | 0.81 |
| PBDIT/Interest | Times | 3.54 | 3.93 |

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

None

Any Other Information

None

Applicable Criteria

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

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|------------|-----------------|-------------------------------------|
| 07 Oct 2021 | Proposed Bank Facility | Long Term | 6.11 | ACUITE BBB- Stable (Reaffirmed) |
| | Packing Credit | Short Term | 5.00 | ACUITE A3 (Reaffirmed) |
| | Bills Discounting | Short Term | 8.00 | ACUITE A3 (Reaffirmed) |
| | Bank Guarantee | Short Term | 0.95 | ACUITE A3 (Reaffirmed) |
| | Letter of Credit | Short Term | 0.20 | ACUITE A3 (Reaffirmed) |
| | Bills Discounting | Short Term | 5.00 | ACUITE A3 (Reaffirmed) |
| | Term Loan | Long Term | 0.46 | ACUITE BBB- Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 1.00 | ACUITE A3 (Reaffirmed) |
| | Letter of Credit | Short Term | 0.30 | ACUITE A3 (Reaffirmed) |
| | Term Loan | Long Term | 0.48 | ACUITE BBB- Stable (Reaffirmed) |
| | Cash Credit | Long Term | 5.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 1.97 | ACUITE BBB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 1.95 | ACUITE BBB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 1.95 | ACUITE BBB- Negative (Reaffirmed) |
| 09 Jul 2020 | Packing Credit | Short Term | 5.00 | ACUITE A3 (Reaffirmed) |
| | Bills Discounting | Short Term | 1.00 | ACUITE A3 (Reaffirmed) |
| | Bills Discounting | Short Term | 5.00 | ACUITE A3 (Reaffirmed) |
| | Letter of Credit | Short Term | 0.30 | ACUITE A3 (Reaffirmed) |
| | Cash Credit | Long Term | 5.00 | ACUITE BBB- Negative (Reaffirmed) |
| | Bank Guarantee | Short Term | 0.95 | ACUITE A3 (Reaffirmed) |
| | Term Loan | Long Term | 0.67 | ACUITE BBB- Negative (Reaffirmed) |
| | Term Loan | Long Term | 0.78 | ACUITE BBB- Negative (Reaffirmed) |
| | Letter of Credit | Short Term | 0.20 | ACUITE A3 (Reaffirmed) |
| | Bills Discounting | Short Term | 8.00 | ACUITE A3 (Reaffirmed) |
| | Term Loan | Long Term | 1.97 | ACUITE BBB- Negative (Reaffirmed) |
| | Proposed Bank Facility | Long Term | 5.60 | ACUITE BBB- Negative (Reaffirmed) |
| | | Long | | ACUITE BBB- Stable |

| | | | | |
|----------------|------------------------|------------|------|-----------------------------------|
| 08 May 2019 | Term Loan | Term | 0.78 | (Reaffirmed) |
| | Term Loan | Long Term | 2.56 | ACUITE BBB- Stable (Reaffirmed) |
| | Proposed Bank Facility | Long Term | 4.46 | ACUITE BBB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 0.67 | ACUITE BBB- Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 0.30 | ACUITE A3 (Reaffirmed) |
| | Buyers Credit | Short Term | 8.00 | ACUITE A3 (Reaffirmed) |
| | Term Loan | Long Term | 0.34 | ACUITE BBB- (Withdrawn) |
| | Term Loan | Long Term | 0.27 | ACUITE BBB- (Withdrawn) |
| | Packing Credit | Short Term | 5.00 | ACUITE A3 (Reaffirmed) |
| | Cash Credit | Long Term | 5.00 | ACUITE BBB- Stable (Reaffirmed) |
| | Term Loan | Long Term | 2.50 | ACUITE BBB- Stable (Reaffirmed) |
| | Bank Guarantee | Short Term | 0.95 | ACUITE A3 (Reaffirmed) |
| | Letter of Credit | Short Term | 1.00 | ACUITE A3 (Reaffirmed) |
| | Letter of Credit | Short Term | 0.20 | ACUITE A3 (Reaffirmed) |
| | Buyers Credit | Short Term | 5.00 | ACUITE A3 (Reaffirmed) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|--|----------------|----------------------------------|------------------|----------------|----------------|------------------|-------------------|--|
| Punjab and Sind Bank | Not Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | Simple | 0.95 | ACUITE A3 Reaffirmed |
| Punjab and Sind Bank | Not Applicable | Bills Discounting | Not Applicable | Not Applicable | Not Applicable | Simple | 8.00 | ACUITE A3 Reaffirmed |
| Punjab and Sind Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 5.00 | ACUITE BBB- Stable Reaffirmed |
| Punjab and Sind Bank | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 1.00 | ACUITE A3 Reaffirmed |
| Punjab and Sind Bank | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 5.00 | ACUITE A3 Reaffirmed |
| Punjab and Sind Bank | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 0.20 | ACUITE A3 Reaffirmed |
| Punjab and Sind Bank | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 0.30 | ACUITE A3 Reaffirmed |
| Punjab and Sind Bank | Not Applicable | PC/PCFC | Not Applicable | Not Applicable | Not Applicable | Simple | 5.00 | ACUITE A3 Reaffirmed |
| Not Applicable | Not Applicable | Proposed Long Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | Simple | 0.19 | ACUITE BBB- Stable Reaffirmed |
| Punjab and Sind Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 0.34 | ACUITE BBB- Stable Reaffirmed |
| Punjab and Sind Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 0.30 | ACUITE BBB- Stable Reaffirmed |
| CITI Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 1.95 | ACUITE BBB- Stable Reaffirmed |
| Small Industries Development Bank of India | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 1.97 | ACUITE BBB- Stable Reaffirmed |

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About Acuité Ratings & Research

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