

Press Release

IGP ENGINEERS PRIVATE LIMITED

16 January, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 37.00 Cr.
Long Term Rating	SMERA A+ / Outlook: Stable
Short Term Rating	SMERA A1

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA A+**' (**read as SMERA A plus**) and short term rating of '**SMERA A1**' (**read as SMERA A one**) on the Rs. 37.00 crore bank facilities of IGP ENGINEERS PRIVATE LIMITED (IGPEPL). The outlook is '**Stable**'.

IGPEPL, established in 1954 is engaged in the manufacture of metallic and non-metallic gaskets at Chennai and Chengalpattu. The day-to-day operations are led by promoters, Mr. V. Lakshmanan, Mr. V. Balasubramanian, Mr. K. Shyamsundar and others.

Key Rating Drivers

Strengths

- **Established track record along with experienced management**

IGPEPL, incorporated in 1979 is promoted by Mr. V. Lakshmanan, Mr. V. Balasubramanian, Mr. K. Shyamsundar and others. The directors have more than three decades of experience in the engineering goods industry. The long track record has helped IGPEPL establish long term relations with clients.

- **Comfortable financial risk profile**

The financial risk profile stands comfortable marked by net worth of Rs. 137.8 crore as on 31 March, 2017 compared to Rs. 130.6 crore as on 31 March, 2016. The networth as on 31 March 2017, includes unsecured loans from promoters of Rs. 4.27 crore. The gearing (debt-equity) stood at a moderate 0.1 times as on 31 March, 2017 compared to 0.1 times as on 31 March, 2016. The total debt of Rs. 16.3 crore as on 31 March, 2017 consists of working capital borrowings of Rs.15.1 crore and unsecured loans of Rs.1.1 crore. The Interest Coverage Ratio (ICR) stood at 9.6 times for FY2017 as against 10.9 times for FY2016. SMERA believes that IGPEPL's financial risk profile will continue to remain comfortable over the medium term backed by healthy net worth and steady cash accruals.

- **Established relations with customers and suppliers**

IGPEPL is an API 6A, API 17D and API 16C (American Petroleum Institute) certified company, besides having ISO certification. This is a crucial criteria for applying for contracts in the industry. The company has long term relations with Reliance Industries Limited, Klinger Ltd- (Australia, South Africa, Delta Corporation, Qatar, and UK), L&T Valves Ltd, Kanchipuram to name a few.

Weaknesses

- **Decline in scale of operations and profitability**

IGPEPL has a registered trademark 'SPIRAGET®' for metallic and nonmetallic gaskets. The company registered revenue of Rs.178.8 crore in FY2017 as against Rs. 187.7 crore in FY2016. The operating margins (EBIDTA) declined to 11.9 per cent in FY2017 from 15.1 per cent in FY2016. The products majorly find application in oil and gas, refineries and petrochemicals, power generation etc. The slowdown in the industry due to volatility in oil and steel prices has affected the scale of operations and

profitability. SMERA believes that further decline in scale of operations and profitability is likely to have a downward pressure on the rating.

• Working capital intensive operations

The company has high working capital requirements reflected in the high gross current assets (GCA) of 224 days (PY: 187 days) in FY2017. This was on account of high debtors days stood at ~139 days in FY2017 as against 112 days in FY2016 leading to higher working capital requirements. The inventory storage stood at ~81 days in FY2017 as against 92 days in FY2016. The company gets credit of 30-60 days from suppliers which moderates the working capital requirements. The working capital limit utilisation of IGPEPL stood comfortable in the six months ended November 2017.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the company.

Outlook: Stable

SMERA believes that the outlook on IGPEPL will remain Stable over the medium term owing to the company's established market position in the gasket industry. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenue along with improvement in profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of further decline in scale of operations or profitability thereby affecting the financial risk profile or liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	178.81	187.66	240.57
EBITDA	Rs. Cr.	21.34	28.30	32.99
PAT	Rs. Cr.	11.35	16.24	19.51
EBITDA Margin	(%)	11.93	15.08	13.71
PAT Margin	(%)	6.35	8.65	8.11
ROCE	(%)	13.63	18.73	42.24
Total Debt/Tangible Net Worth	Times	0.12	0.09	0.13
PBDIT/Interest	Times	9.62	10.97	9.00
Total Debt/PBDIT	Times	0.68	0.37	0.49
Gross Current Assets (Days)	Days	224	187	197

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook

12-Oct-2016	Cash Credit	Long Term	INR 5*	SMERA A+ / Stable (Reaffirmed)
	Packing Credit	Short Term	INR 5	SMERA A1 (Reaffirmed)
	Bills Discounting	Short Term	INR 7	SMERA A1 (Reaffirmed)
	Bank Guarantee	Short Term	INR 4	SMERA A1 (Reaffirmed)
	Letter of Credit	Short Term	INR 16	SMERA A1 (Reaffirmed)
18-Aug-2015	Cash Credit	Long Term	INR 5*	SMERA A+ / Stable (Reaffirmed)
	Packing Credit	Short Term	INR 5	SMERA A1 (Reaffirmed)
	Bills Purchase	Short Term	INR 7	SMERA A1 (Reaffirmed)
	Bank Guarantee	Short Term	INR 4	SMERA A1 (Reaffirmed)
	Letter of Credit	Short Term	INR 16	SMERA A1 (Reaffirmed)
09-May-2014	Cash Credit	Long Term	INR 5*	SMERA A+ / Stable (Assigned)
	Packing Credit	Short Term	INR 5	SMERA A1 (Assigned)
	Bills Purchase	Short Term	INR 7	SMERA A1 (Assigned)
	Letter of Credit	Short Term	INR 16	SMERA A1 (Assigned)
	Bank Guarantee	Short Term	INR 4	SMERA A1 (Assigned)

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00*	SMERA A+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A1
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A1
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A1
Letter of credit	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA A1

*Interchangeable with packing credit to the extent of Rs. 5.00 crore.

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022- 67141160 varsha.bist@smera.in
Leena Gupta Analyst - Rating Operations Tel: 022-67141172 leena.gupta@smera.in	

ABOUT SMERA

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