

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

SRB International Private Limited

February 6, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned
1.	Long Term Bank Facilities	7.00	IVR BB+/Stable Outlook(IVR Double B Plus with Stable Outlook)
2.	Short Term Bank Facilities	11.00	IVR A4+ (IVR A Four Plus)

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of SRB International Private Limited (SRB) draws comfort from its experienced promoters, diversified product profile, reputed client profile albeit customer concentration, healthy order book and comfortable financial risk profile. These rating strengths are partially offset by small scale of operations of the Company, small net worth, tender based nature of operations and exposure to foreign currency fluctuation risk.

Key Rating Sensitivities:

Upward factors

- Significant improvement in scale of operations and profitability on a sustained basis
- Improvement in net worth base and capital structure

Downward Factors

- Deterioration in the overall gearing to more than 1.5x
- Moderation in scale of operations and impairment in liquidity position

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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters

Mr Bharat Gandhi, the Chairman of the company has been engaged in the industry for over a decade. He started business in the year 2007 with trading of mining equipment under SRB International; a proprietary concern. The business risk profile of the company is well supported by extensive experience of its promoters.

Diversified product profile

SRB has a diversified product profile. While sale of mining and metallurgical equipment contributed 44.90 per cent and 18.74 per cent respectively to the company's revenue in FY19, sales of raw material and equipment for railways contributed 11.85 per cent and 0.18 per cent. Further, exports of marble/granite and medical devices contributed 3.53 per cent and 3.29 per cent respectively. Sales services and other operating revenue contributed 14.56 per cent and 2.95 per cent. The Company is likely to benefit from its diversified product profile over the medium term.

Reputed client profile albeit customer concentration

SRB works for various reputed clients. However, the top 10 clients contributed to around 61.78 per cent of the company's top line for FY19, implying moderate customer concentration.

Healthy Order Book

SRB had outstanding orders to the tune of Rs.92.23crore as on October 31, 2019 which provides healthy revenue visibility over the near term.

Comfortable financial risk profile marked by comfortable capital structure and healthy debt protection metrics with minimal near term debt repayment obligation

The financial risk profile of the company remained comfortable marked by its comfortable capital structure as on the last three account closing dates, ending on March 31, 2019

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coupled with its healthy debt protection metrics. Further, the total indebtedness of the company as reflected by the TOL/TNW also remained comfortable at 2x as on March 31, 2019 which has improved from 3.06x as on March 31, 2018 driven by improvement in net worth. The debt protection metrics also remained comfortable with healthy interest coverage of 6.65x and satisfactory Total Debt/GCA at 2x in FY19. Further, the credit risk profile of the company is comfortable marked by its minimal near to medium term debt repayment obligation.

Key Rating Weaknesses

Small Scale of Operations

Despite its more than a decade long operations, the scale of operations of the company has remained small marked by its total operating income of Rs.50.2crore for FY19. Further, the total operating income witnessed moderation from Rs.63.43crore in FY18 mainly due to lower sales attributable to delay in delivery of equipment from the principal suppliers. However, in 9 months FY20 the company has achieved a total operating income of Rs.33.87crore. Further, the total operating income though expected to improve in the near term backed by order book of Rs.92.23crore, which is to be executed within next 12-15 months however, will continue to remain small. Small scale of operations restricts the financial flexibility and deprives the company from the benefits of economies of scale.

Small net worth

SRB had a small net worth base of Rs.8.48crore (subordinated unsecured loans treated as quasi equity) as on March 31, 2019, which restricts its financial flexibility to raise additional funds in case of exigency. Though the networth is likely to improve over the medium term on the back of higher accretion of profits to networth, it will continue to remain small.

Tender based nature of operations

SRB procures its orders through tenders floated by various organizations in the mining, metallurgy, railways and oil and gas sectors. The growth of the Company depends on its ability to successfully bid for tenders and emerge as the lowest bidder. Tender driven operation is

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characterized by intense competition. Furthermore, any changes in the government policy are likely to affect the revenues of the company.

Foreign currency fluctuation risk

The business operations of SRB involve both imports and exports, which exposes the company to risk arising from fluctuation in foreign exchange. Though being in export and import, the company enjoys a natural hedging, in the absence of any hedging policy the company is exposed to the foreign currency fluctuation risk.

Analytical Approach&Applicable Criteria:

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

Liquidity is marked by comfortable expected accruals over the medium term as against small repayment obligations. The working capital limits also remained moderately utilized in the past twelve months through August 2019. Liquidity is further supported by financial support from promoters in the form of unsecured loans.

About the Company

SRB International Private Limited (SRB) was initially incorporated as a proprietary concern in the name of SRB International in the year 2007. SRB International was engaged in sales of equipment of foreign associates and earned a certain percentage of commission on the work done for Government of India. In 2011, the entity was converted into a Private Limited Company and the name was changed to SRB International Private Limited. The company is engaged in the import, assemble and domestic sale of mining and metallurgical equipment and export of granite, marbles and medical devices. The products of the company find their application in railway, oil and gas, mining and metallurgical industries. The company imports the traded products from Russia, London etc. and sells it domestically.

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Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	63.43	50.20
EBITDA	3.25	2.64
PAT	1.94	1.59
Total Debt	4.56	4.13
Tangible Net worth	6.99	8.48
EBITDA Margin (%)	5.12	5.26
PAT Margin (%)	3.03	3.13
Overall Gearing Ratio (x)	0.65	0.49

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Cash Credit	Long Term	7.00	IVR BB+/Stable	-	-	-
2	Letter of Guarantee	Short Term	11.00	IVR A4+	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Ms.Aakriti Sachdeva	Name: Mr. Avik Podder
Tel: (011) 2465 5636	Tel: (033) 46022266
Email: asachdeva@infomerics.com	Email: apodder@infomerics.com

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	7.00	IVR BB+/Stable
Short Term Bank Facilities – Letter of Guarantee	-	-	-	11.00	IVR A4+