



Press Release

Saxena Marine – Tech Private Limited (SMTPL)

October 12, 2020

Sl. No.	Instrument/Facility	Amount (INR. Crore)	Rating	Rating Action
1.	Long Term Fund Based Facility – Open Cash Credit	33.00	IVR BB/ Stable outlook (IVR Double B with Stable outlook)	Assigned
2.	Short Term Non-Fund Based Facility – Bank Guarantee	9.80	IVR A4 (IVR Single A Four)	Assigned
	Total	42.80		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of SMTPL derives strength from experienced management and their established track record of operation, diversified revenue profile, comfortable debt protection metrics. However, the intensive nature of working capital operations, competitive nature of business, volatility in raw material prices and moderate scale of operation are the rating constraints.

Key Rating Sensitivities:

Upward rating factor(s):

- Substantial improvement in revenue & profitability leading to sustained improvement in debt protection metrics

Downward rating factor(s)

- Any decline in revenue & profitability leading to sustained decline in debt protection metrics.

Key Rating Drivers with detailed description

Key Rating Strengths

Established track record of operation and experienced management:

Incorporated in 1984, Saxena Marine –Tech Private Limited (SMTPL) is promoted by Mr. M.L Saxena along with his other family members. The promoters of the company possess more



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than three decades of experience in designing, developing, and erections of various ferrous and non-ferrous equipments/machinery for marine, defence & other sectors. In 2001, the promoters came up with the concept of Pre-Engineered Building system (PEB) and are currently offering versatile solutions to building industries. The management are well supported by a team of experienced and qualified professionals in day to day operations.

Diversified revenue portfolio:

The company is engaged basically into two types of business model, one is into manufacturing, designing and development of various ferrous and non-ferrous equipment/machinery for Indian Naval Warships, Defence Vehicle and Defence Engineering Equipment and another business involve manufacturing of PEB structures. The revenue generated from defence and naval equipment manufacturing constitutes ~ 10% of the total revenue profile, PEB business is procured from government departments (~ 60%) and from private players (~ 30%). The company has strong presence in its PEB construction business.

Comfortable debt protection metrics:

SMTPL long term debt to EBITDA have marginally got improved in FY20 [P] at 0.14x (FY19: 0.73x and FY18: 0.94). The overall gearing of the firm have remain moderate in FY20 [P] at 2.45x as compared to 2.17x in FY19 on account of increase in short term borrowing in FY20 [P] however improvement in net worth is been observed in Y-o-Y basis (from INR14.50 Crore in FY19 to INR17.10 Crore in FY20) due to infusion of capital in and reflection of profit. Apparently, total debt to GCA has also improved in FY20 at 0.68x as compared to 7.48x in FY19 and 9.04x in FY18 with improvement in PAT in FY20. The interest coverage ratio is comfortable and have improved at 2.84x in FY20 (FY19: 1.32x) due to improvement in EBITDA and reduction in interest cost. TOL/TNW also stands comfortable in FY20 at 2.65x (FY19: 3.59) due to reduction in liability of term loan and unsecured loan.



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Key Rating Weaknesses

Working capital intensive operations:

Operations of the company are working capital intensive, as they are required to maintain the inventory and avoid the lead time caused at the time of executing the project and is marked by an operating cycle of 236-291 days in last three years (FY18-FY20). The inventory days are comparatively on a higher side in the range of 249-285 days in last three years (FY18-FY20). The average debtor days are moderately comfortable at around 82 days in FY20 and 69 days in FY19 and the average creditor days are ranged within 40-150 days in last three years (FY18-FY20).

Raw material price volatility:

The profitability margins remain modest. The profitability margins are also exposed to variations in raw material prices, the primary raw material used for construction purpose are carbon, stainless steel, aluminium alloy etc.

Moderate scale operation:

The operations of SMTPL are at moderate level. The company has achieved operating income of INR64.34 Crore in FY20 as compared to INR64.06 Crore in FY19. Being an engineering company.

Analytical Approach &Applicable Criteria:

Standalone

Rating methodology for manufacturing companies

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity: Adequate

The company has adequate liquidity marked by adequate liquid cash balance to its maturing debt obligations for the medium term. The operations are moderately working capital intensive which has led to high reliance on working capital limits. The current ratio of the company stands at 1.29x as on March 31, 2020 (P). The fund based average working capital utilisation was at ~ 86% during the last twelve months ended August 31, 2020.



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About the Company:

Saxena Marine Tech Private Limited (SMTPL), is an ISO 9001:2008 certified company which was incorporated on August 23, 1984. SMTPL initially started with the business activity of designing, development and manufacturing of ferrous and non-ferrous equipment for Indian Naval Warships, Defence vehicle and Defence Engineering Equipment. The promoters of the company have an experience of more than three decades in fabrication and manufacturing process, with its experience and renowned brand presence SMTPL introduced Pre-Engineered Building system (PEB) concept in 2001. Currently the company is offering versatile solution to the infrastructure industry (building) such as Pre-Engineering Steel Building Structures, Multi rise building structure, Steel bridge grinder, Open web grinder, PEB warehouse structure, Hanger Building structure, PEB Structural shed, modern PEB factory building, Institutional buildings etc. Basically, the company generates revenue from two divisions – Marine / Defence division and Pre-Engineered Buildings (PEB) division.

Financials:

	(INR. Crore)	
For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	64.32	64.35
EBITDA	5.12	8.06
PAT	0.39	2.66
Total Debt	31.45	41.91
Tangible Net-worth	14.50	17.10
EBITDA Margin (%)	8.00	12.53
PAT Margin (%)	0.61	4.14
Overall Gearing Ratio (x)	2.17	2.45

* Classification as per Infomerics standards

Status of non-cooperation with previous CRA: None

Any other information: N.A.



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Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facility – Open Cash Credit	Long Term	33.00	IVR BB/Stable	--	--	--
2.	Short Term Non-Fund Based Facility – Bank Guarantee	Short Term	9.80	IVR A4	--	--	--
	Total		42.80				

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.

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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. 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 (INR. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Open Cash Credit	NA	NA	NA	33.00	IVR BB/ Stable outlook (IVR Double B with Stable outlook)
Short Term Non-Fund Based Facility – Bank Guarantee	NA	NA	Within 12 months	9.80	IVR A4 (IVR Single A Four)