

## Star Track Fasteners Private Limited

January 15, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term / Short Term Bank Facilities	-	-	Reaffirmed and Withdrawn
Long Term Bank Facilities	-	-	Reaffirmed and Withdrawn
Short Term Bank Facilities	-	-	Reaffirmed and Withdrawn
<b>Total Bank Facilities</b>	<b>0.00</b> <b>(Rs. Only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale and Key Rating Drivers

CARE has reviewed and reaffirmed the rating assigned to the bank facilities of Star Track Fasteners Private Limited to CARE BB; Stable/CARE A4 [Double B; Outlook: Stable; A Four] and has simultaneously withdrawn it, with immediate effect. The rating factors in the constraints relating to company's modest scale of operations, customer concentration risk, competitive industry and risks associated with tender-based orders. The rating, however, continues to take comfort from experienced promoters and long track record of operations, moderate financial risk profile, moderate operating cycle and reputed customer base and moderate order book position.

The rating withdrawal is at the request of Star Track Fasteners Private Limited and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

##### Modest scale of operations

The scale of operations of STFPL has remained modest as marked by total operating income and gross cash accruals of Rs.33.99 crore and Rs.1.79 crore respectively in FY20 (based on provisional results) as against Rs.35.31 crore and Rs.1.89 crore respectively in FY19.. Further, the company's net worth also stood relatively modest at Rs. 11.32 crore as on March 31, 2020 (based on provisional results). The modest scale limits the company's financial flexibility in times of stress and deprives it of scale benefits. The total operating income stood at Rs.15.42 crore for 6MFY21 (refers to period from April 1, 2020 till September 30, 2021).

##### Customer Concentration Risk

STFPL caters to numerous customers but major portion of the total operating income geared from mainly railways during the FY19. This exposes the company towards customer concentration risk. Any change in procurement policy of Indian Railways, may adversely impact the business of the company. This also exposes the company's revenue growth and profitability directly with the order flow from Railways.

##### Competitive industry and risks associated with tender-based orders

STF faces direct competition from various organized players in the market. There are other established players in the organized sector catering to the same market which has limited the bargaining power of the company and therefore has a bearing on its margins. Furthermore, the company majorly undertakes government projects, which are awarded through the tender-based system. The company is exposed to the risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. This apart, any changes in the government policy or government spending on projects are likely to affect the revenues and profits of the company.

#### Key Rating Strengths

##### Experienced management and long track record of operations

STFPL is currently being managed by Mrs. Neeti Aggarwal and Mr. Vaibhav Aggarwal. Mrs. Neeti Aggarwal is a graduate by qualification and has an experience of almost a decade through her association with STFPL. Mr. Vaibhav Aggarwal is a post graduate by qualification and has an experience of around three to four years in association with STFPL. Moreover, STFPL has a well-qualified and experienced team of projects mangers, project engineers and dedicated purchase planning and execution department with good experience.

##### Moderate Financial Risk Profile

The products manufactured by the company are technical in nature for which engineering skills and precision designing is required. Due to the technical nature of the job, the entry barriers are high and the company enjoys comparatively low

competition due to which the profitability margins of the firm stood moderate as marked by PBILDT and PAT margin which stood at 8.83% and 2.47% respectively for FY20 (Prov.) as against 8.90% and 2.66% respectively for FY19.

Capital structure of the company continues to be moderate as marked by overall gearing of 0.34x as on March 31, 2020 (Prov.) as against 0.60x as on March 31, 2019. The improvement is on account of repayment of term loans and lower reliance on external borrowings for meeting its working capital requirements coupled with accretion of profits to reserves.

Further, owing to moderate profitability and relatively lower debt levels in its capital structure, the debt coverage indicators stood comfortable as marked by interest coverage ratio and total debt to gross cash accruals of 3.53x and 2.12x respectively for FY20 (Prov.) as against 3.80x and 3.31x respectively for FY19.

#### **Moderate operating cycle**

The operating cycle of the company stood moderate at 64 days in FY20(Prov.) as against 66 days in FY19. The company maintains sufficient inventory of raw material for the smooth production process. As the company manufactures products on order basis, as a result, finished goods move fast from the factory though the appropriate quality checks are also made at both work in progress and finished goods stage. Considering the same, the average inventory period stood at 63 days for FY20(Prov.). Further, the company offers a credit period of around two months to its customers and gets a similar credit period from its suppliers to make payments, resulting into average collection period and creditors period of 61 days and 60 days respectively for FY20 (Prov.).

#### **Reputed customer base and moderate order book position**

The company's business risk profile is supported by healthy association developed with Indian Railways as a major customer through their continuous supply of products while adhering to all the quality standards. Moreover, reputed client base ensures timely realization of receivables. Considering the satisfactory work done, the company has managed to get repeat orders from its customer. Any change in procurement policy of these customers may adversely impact the business of the firm. This also exposes the firm's revenue growth and profitability to its customers' future growth plans.

**Liquidity:** The company had not availed the moratorium on its bank facilities as per RBI guidelines in wake of Covid-19 pandemic.

**Analytical approach:** Standalone

#### **Applicable Criteria**

[Policy on Withdrawal of ratings](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology - Manufacturing Companies](#)

#### **About the company**

Haryana based Star Track Fasteners Private Limited (STFPL) was incorporated and promoted as a private limited company in the year 1992 by Mr. Vikas Aggarwal and Mr. Kapil Aggarwal . Currently the company is managed by Mr. Vikas Aggarwal, Mr. Kapil Aggarwal, Mrs. Neeti Aggarwal and Mr. Vaibhav Aggarwal. The company is engaged in manufacturing of rubber products namely rubber pads, GRSP, thermo plastic pads, metallic guide bearings etc. which are widely used by the Railways all over the world as fasteners in Railway tracks and bridges. STFPL provides supply of Buffer Stops, various types of metal to rubber bonded components to Indian Railways. STFPL has obtained ISO 9001-2008 Certification. The manufacturing unit of the company is located in Sonipat, Haryana.

<b>Brief Financials (Rs. crore)</b>	<b>FY18 (A)</b>	<b>FY19 (A)</b>	<b>FY20 (Prov.)</b>
Total operating income	35.76	35.31	33.99
PBILDT	2.77	3.14	3.00
PAT	1.51	0.94	0.84
Overall gearing (times)	0.65	0.60	0.34
Interest coverage (times)	3.10	3.80	3.53

A: Audited Prov.: Provisional

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantees	-	-	-	0.00	Withdrawn
Non-fund-based - ST-ILC/FLC	-	-	-	0.00	Withdrawn
Fund-based/Non-fund-based-LT/ST	-	-	-	0.00	Withdrawn

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB; Stable (29-Jan-20)	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	1)CARE A4 (29-Jan-20)	-	-
3.	Non-fund-based - ST-ILC/FLC	ST	-	-	-	1)CARE A4 (29-Jan-20)	-	-
4.	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	-	1)CARE BB; Stable / CARE A4 (29-Jan-20)	-	-

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based/Non-fund-based-LT/ST	Simple
3.	Non-fund-based - ST-Bank Guarantees	Simple
4.	Non-fund-based - ST-ILC/FLC	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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