

Smith Industrial Corporation Private Limited

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.60	CARE BBB; Stable	Reaffirmed
Short Term Bank Facilities	1.50	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Smith Industrial Corporation Private Limited continues to derive comfort from extensive experience of its promoters, common management of Automat Group (Automat Irrigation Private limited (AIRPL) and Automat Industries Private Limited (AIPL) rated CARE A; Stable/ CARE A2+ on combined basis), operational and need based financial support extended by the group. The ratings also factor in company's well diversified product portfolio, its long-standing relationships with customers, and in-house design and engineering capabilities, modest scale of operations, comfortable profitability margin and healthy financial risk profile marked by comfortable debt coverage indicators along with healthy capital structure. However, the ratings are constrained by company's presence in highly competitive industry, susceptibility to fluctuation in raw material prices and foreign exchange fluctuation risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations and maintain PBILDT margin beyond 15% on sustained basis.
- Significant improvement in gross current assets days.

Negative factors

- Decline in the PBILDT margin below 11%.
- Any significant decline in scale of operations on sustained basis.
- Deterioration in overall gearing above 1.00x.

Analytical approach: Standalone financials of SICPL and factoring in operational synergies and financial linkage with other group entities.

Outlook: Stable

CARE Ratings believes that the entity shall sustain its adequate liquidity and comfortable financial risk profile over the medium term on back of experienced promoters, well diversified product portfolio, long-standing relationships with customers.

Detailed description of key rating drivers:

Key strengths

Extensive experience of promoters and management team: The company was promoted by Mr. Prabodh Kumar Jain (aged 79 years) and Mr. Tushar Jain (aged 52 years). Mr. P. K. Jain holds a B.Sc. degree from J.V. Jain College, Saharanpur (C.C.S University) and has experience of over four decades in the business of manufacturing high precision components. Mr. Tushar Jain is an MSc in Economics and has done Master of Management Studies (MMS) from BITS Pilani, he has been associated with the group for over 24 years. The promoters also have prior experience through Automat group, which is also one of the largest manufacturers of micro-irrigation systems (MIS) (drip and sprinkler) in India. Moreover, the management team comprises of professionals, engineers and technicians having significant experience in the related domain of business operations.

Established track record of operations and product diversification: Promoters of the company have established relationship in the industry. SCIPL has its manufacturing presence in customised high precision turned parts and sub-assemblies for automobile, metering & instrumentation, oil & gas, irrigation, medical equipment, horological industry, and defence sector. The company has manufactured more than 700 products including pressure metre, gauge meter, electric switch components, etc.

Established relationship with customers and suppliers: The company has an established relationship with its clients. It has diversified portfolio of both domestic and international clients from Italy, Greece, Poland, Germany, USA. Top five customers have contributed ~41% towards the total revenue of the company during FY24 (refers to the period from April 01 to March 30), (~57% in FY23). Majority of sales are derived from export market and contributed around 64% of the total operating income of the company during FY24 (PY: 53%).

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

In house design and engineering capabilities: SICPL has dedicated assembly lines for the production of sub-assemblies for automobiles and other sectors. The company has Swiss and Japanese CNC machines with latest technology, which provide faster results and reduce manual labour. The company is well equipped with CAD/ CAM/ CAE design capability, tool room and manufacturing capabilities with CNC wire cutting machines, welding machines and presses for manufacturing of tool.

Modest scale of operations and comfortable profitability margins: The raw material prices are fluctuating over the years and due to intense competition, company is not able to pass on the increased price effect entirely as characterized by moderate level of total operating income of Rs.102.17 crore during FY24 as against Rs. 119.83 crore in FY23. Further, profitability margin of the company remains comfortable and improved in FY24 to 17.28% (PY: 14.88%) due to decline in raw material prices and PAT margin improved to 10.31% in FY24 (PY: 8.65%).

Comfortable financial risk profile: The overall gearing of the company remains comfortable at 0.12x as on March 31, 2024 (PY: 0.12x) which was primarily due to lower working capital utilisation coupled with healthy net worth position of Rs.62.98 crore as on March 31, 2024 (PY: Rs. 52.40 crore) due to accretion of profit. Moreover, debt coverage indicators of the company also stood healthy marked by comfortable interest coverage ratio of 24.76x (PY: ~25.57x) and total debt to GCA of 0.54x (PY: 0.45x) in FY24.

Key weaknesses

Intense Competition: SICPL operates in high precision turned parts manufacturing industry that is marked by intense competition owing to presence of large number of organized and unorganized players. The highly fragmented nature of the industry restricts the pricing flexibility and bargaining power of the players in the market.

Susceptibility to fluctuation in raw material prices: Primary raw material of the company includes aluminium, brass, copper, and steel alloys. The demand of metals, especially aluminium, copper and steel, is cyclical with prices driven by demand and supply conditions in the market coupled with strong linkage to the global market. The company is able to pass on the change in raw material price to limited extent, thereby mitigating the risk.

Foreign currency fluctuation risk: Majority of the share of the revenue is derived from export sale constitutes around ~64% of total sale during FY24 (PY: 53%), whereby import constitutes around 8%-10% of total raw material consumed, which exposes the company to foreign exchange fluctuation risk. The company hedge some part of around 10% of its foreign currency exposure through natural hedge and for remaining, the company hedge on real time basis. During FY24, SICPL has booked a foreign exchange gain of Rs.0.54 crore as against a gain of Rs. 2.39 crore in previous financial year.

Liquidity: Adequate

The liquidity profile of the company remains adequate as reflected by sufficient cushion available in projected gross cash accruals of Rs.14.44 crore in FY25 against nil repayment obligation. The average utilization of the working capital borrowings stood around ~45% for the trailing 12 months ended November 2024. The healthy cash accruals with moderate utilisation of working capital limits provide sufficient cushion to the company for meeting any unforeseen exigencies. The company has projected routine maintenance capex of Rs.5 crore every year which will be funded through internal accruals.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Diversified	Diversified	Diversified	Diversified

Incorporated in 2011, by Mr. Prabodh Kumar Jain and Mr. Tushar Jain, Smith Industrial Corporation Private Limited (SICPL) is engaged in manufacturing of customized high precision turned parts and sub-assemblies of varied applications. In FY20, SICPL shifted its manufacturing facility to Mohan Nagar, Ghaziabad. SICPL belongs to Automat Group mainly consists of 3 entities Automat Industries Private Limited, Automat Irrigation Private Limited and Smith Industrial Corporation Private Limited.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	8MFY25 (UA)
Total operating income	119.83	102.17	69.74
PBILDT	17.83	17.66	10.84
PAT	10.37	10.54	10.15
Overall gearing (times)	0.12	0.12	NA
Interest coverage (times)	25.57	24.76	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	4.60	CARE BBB; Stable
Non-fund-based - ST-BG/LC		-	-	-	1.50	CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	4.60	CARE BBB; Stable	-	1)CARE BBB; Stable (05-Jan-24)	1)CARE BBB; Stable (04-Jan-23)	1)CARE BBB; Stable (16-Feb-22)
2	Non-fund-based - ST-BG/LC	ST	1.50	CARE A3	-	1)CARE A3 (05-Jan-24)	1)CARE A3 (04-Jan-23)	1)CARE A3 (16-Feb-22)

LT: Long term; ST: Short term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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