

Shivalik Bimetal Controls Limited

March 21, 2017

Ratings

Bank Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities (Term Loan)	2.44 (reduced from 4.15)	CARE BBB; Stable [Triple B; Outlook: Stable]	Reaffirmed
Short-term Bank Facilities (Non-fund Based)	40.00	CARE A3+ [A Three Plus]	Reaffirmed
Long/Short-term Bank Facilities (Fund Based)	26.00	CARE BBB; Stable/ CARE A3+ [Triple B Plus; Outlook: Stable/ A Three Plus]	Reaffirmed
Total Facilities	68.44 (Rupees Sixty Eight crore and Forty Four lakhs only)		

Details of instruments/facilities in Anneuxre-1

Detailed Rationale

The ratings of the bank facilities of Shivalik Bimetal Controls Limited (SBCL) continue to derive strength from the company's position as leading domestic manufacturer for bimetal/ tri-metal strips, SBCL's reputed client base, its experienced promoters and management team and the company's comfortable solvency indicators.

The ratings are however, underpinned by the working capital intensive nature of operations, modest scale and moderation in profitability. The ratings are further constrained by the company's susceptibility to foreign exchange fluctuation risk.

Going forward, the ability of the company to profitably scale up operations while efficiently managing its working capital requirements shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Leading domestic manufacturer of thermostatic bimetal/ tri-metal: Shivalik Bimetals Controls Limited (SBCL) has a leading position in the bimetal sector owing to technical expertise, integrate automated production facilities and wide range of products. SBCL has low competition in the domestic market as other players in the domestic market have limited technical expertise and production capabilities.

Comfortable capital structure and coverage indicators: SBCL has a comfortable capital structure as evident by overall gearing being below unity. The overall gearing improved to 0.65x as on March 31, 2016 from 0.73x as on March 31, 2015. The improvement can largely be attributed to the timely servicing of debt and accretion of profits to reserves. Though the coverage indicators witnessed moderation due to lower PBILDT and GCA levels the same remained comfortable in FY16.

Reputed and diversified client base: The company has built a strong reputation for itself in the bimetal/ tri-metal industry both in the domestic as well as export market. Due to its long track record of operations the company has a strong relation with its clients and boasts of strong and credible client base comprising of major domestic as well as international players. The client base is also diversified as the top 10 customers formed less than 60% of the total operating income in FY16, thereby mitigating customer concentration risk.

Key Rating Weaknesses

Modest scale of operation and moderation in profitability: SBCL has a modest scale of operations as evident by total operating income of Rs. 99.64 crore in FY16. However, the profitability margins moderated in FY16 as PBILDT margins moderated by 220bps largely due to fall in sales realizations and increase in manufacturing costs. The PAT margins also

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

moderated by 104bps due to higher finance cost as the company utilized higher bank borrowings to support its operations.

Foreign exchange fluctuation risk: SBCL is exposed to volatility in foreign exchange risk as the company has substantial exports and imports. The risk is partially mitigated on account of natural hedging as the company is engaged in both import of raw materials and export of finished goods. However, the amount of imports is higher than the amount of exports. The company mitigates the risk by timing imports and exports and keeps the export proceeds in foreign currency. The company also uses foreign exchange contracts to hedge its foreign exposure

Working capital intensive nature of operations: The operations of the company are working capital intensive in nature as evident by operating cycle of more than 185 days as on March 31, 2016. The high operating cycle can be pinned down to high inventory days and high collection period. The company maintains raw material for about 4 months as majority of them are imports and it takes around 3-4 months to receive the raw material from the date of purchase. In order to safeguard from non-availability of raw materials the company maintains high inventory. Furthermore, the debtor days remained high as the company offers credit period of about 3-4 months to its customers.

Analytical approach: Standalone

Applicable Criteria

[CARE's criteria on assigning outlook to credit ratings](#)

[CARE's policy on default recognition](#)

[CARE's methodology for manufacturing companies](#)

[CARE's criteria for short term instruments](#)

[CARE's rating methodology on financial ratios – Non-financial sector](#)

About the Company

Shivalik Bimetal Controls Limited (SBLC) was incorporated in June 1984 and is involved in the manufacturing of thermostatic bimetal/ tri-metal strips. SBLC manufactures different grades of thermostatic-type bimetal and tri-metal strips and parts (both clad and electron beam welded) and electron beam welded shunt materials etc. These products are mainly used across automotive, defense and electronics sectors. The company majorly derives its sales from thermostatic and tri-metal strips which contributed to ~86% of the total sales in FY16 while the balance was contributed by the shunt segment. The company's sale also comprised of exports, as exports contributed to 39% of the total sale in FY16.

During FY16 (refers to the period April 01 to March 31), SBCL reported PAT of Rs. 4.11 crore on a total operating income of Rs. 99.64 crore PAT of Rs. 4.94 crore on a total operating income of Rs. 95.60 crore in FY15. In 9MFY17 (refers to the period April 01 to December 31), the company reported PAT of Rs. 6.00 crore on a total operating income of Rs. 86.54 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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
Term Loan-Long Term	-	-	April 2021	2.44	CARE BBB; Stable
Fund-based-LT/ST	-	-	-	26.00	CARE BBB; Stable / CARE A3+
Non-fund-based-Short Term	-	-	-	40.00	CARE A3+

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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Term Loan-Long Term	LT	2.44	CARE BBB; Stable	-	1)CARE BBB (14-Mar-16)	1)CARE BBB (24-Feb-15)	1)CARE BBB- (29-Aug-13)
2.	Fund-based-LT/ST	LT/ST	26.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB / CARE A3+ (14-Mar-16)	1)CARE BBB / CARE A3+ (24-Feb-15)	1)CARE BBB- / CARE A3 (29-Aug-13)
3.	Non-fund-based-Short Term	ST	40.00	CARE A3+	-	1)CARE A3+ (14-Mar-16)	1)CARE A3+ (24-Feb-15)	1)CARE A3 (29-Aug-13)

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CIN - L67190MH1993PLC071691