

Sintercom India Limited

April 06, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	16.54	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	8.00	CARE A4 (A Four)	Reaffirmed
Long/Short-term Bank Facilities	7.97	CARE BB; Stable/CARE A4 (Double B; Outlook: Stable/ A Four)	Reaffirmed
Total Facilities	32.51 (Rupees Thirty Two crore and Fifty one lakh only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Sintercom India Limited (SIL) takes into account the stretched liquidity position leading to high utilization of the working capital limits and the stabilization and implementation risk associated with the capital expenditure to be undertaken. The ratings further, continue to be constrained on account of the modest scale of operations, customer concentration risk and the working capital intensive nature of operations.

The ratings, however, continue to derive strength from the extensive experience of the promoters and presence of SIL in the niche segment of manufacturing of auto ancillaries using sintered technology and strong support from Miba Sinter Group (MSG) in terms of operational and technical aspects. The ratings further take into account the improved profitability and solvency position the company.

The ability of the company to further improve its scale of operations while managing working capital effectively without any deterioration in the profitability and capital structure are the key rating sensitivities.

Detailed description of the key rating drivers
Key Rating Weaknesses
Modest scale of operations:

The income from operations of the company grew at a healthy y-o-y growth of approximately 4% in FY17 (refers to the period April 1 to March 31) to Rs.66 crore (as against Rs.63.33 crore in FY16). The size of operations of the company, though improved, remains modest with a moderate tangible net-worth base, restricting its financial flexibility.

Customer concentration risk

The top five customers of SIL include established OEM's, which contributed more than 90% of the total operating income in the last three years.

Stretched liquidity position

SIL operates in a business which depends heavily on working capital borrowings, with funds mainly blocked in inventory and debtors. The gross current asset days for the year ended March 31, 2017, stood at 180 days, which resulted into high utilization of working capital limits.

Stabilization and implementation risk associated with the capital expenditure to be undertaken

The company is currently proposing to expand the production capacity at the existing unit at Talegaon-Dabhade to manufacture sintered metal components. The same will take the installed capacity to 3600 MTPA. The total cost for the said project is expected to be Rs.16.96 crore, to be funded from the IPO proceeds of Rs.16.56 crore and loan of Rs.0.40 crore. The timely completion of the project without any time and cost overruns will be critical for the growth of the company.

Key Rating Strengths

Experienced promoters with an established track record: SIL is in the business of manufacturing of sintered auto components for the last eight years with a strong domain expertise in the sector. The directors of the company have an experience of more than a decade in the industry and are further supported by a well-qualified and experienced second tier management.

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

Support from the association with the Miba Sinter Group in terms of operational, technical and marketing aspects: Austria-based MIBA Group picked up a 26% stake of SIL in 2011. SIL has access to exclusive technology and brand name associated with the Miba Group.

Healthy profitability margins: The operating margin of the company improved during the year and stood at comfortable levels in a range of 18% - 21% over the last three years ended FY17. The PAT margin also improved and stood at 1.92% on FY17.

Moderate capital structure: The capital structure of the company has seen an improvement and stood at 1.44x as on March 31, 2017. Furthermore, during FY18, pursuant to the Initial Public Offering (IPO), the equity shares of the company were listed on the National Stock Exchange of India Limited ("NSE"). Consequently, equity of approximately Rs.32 crore was infused in the company. The same is expected to further improve the capital structure.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

[CARE's Policy on Auto Ancillary Sector](#)

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

About the Company

Sintercom India Limited (*SIL: erstwhile Sintercom India Private Limited, was converted into a public limited company in November 2017*), previously known as Maxtech Sintered Products Pvt. Ltd. (MSPL) was initially set up in 2007 as a joint venture (JV) between BRN Industries Limited (BIL - promoted by Mr. J Raval and Mr. H Banga) and Maxtech Manufacturing Inc. (MMI). The commercial production of the company commenced in August 2009. In FY11, BIL acquired the entire stake in MSPL. Furthermore, BIL sold 26% stake to MIBA Sinter Holding GmbH & Co KG (MIBA) (a company belonging to Austria-based MIBA Group) pursuant to technology transfer agreement by a transfer of shares. The name of the company was then changed to 'Sintercom India Private Limited' in January, 2012 and later in November 2017 the constitution was changed.

SIL is primarily engaged in the manufacturing of powder-metal sintered automotive components with its manufacturing plant set-up at TalegaonDabhade, Pune (Maharashtra).

During FY18, pursuant to the Initial Public Offering (IPO), equity shares having par value of Rs.10 per share were allotted comprising of fresh issue and an offer for sale.

Brief Financials (Rs. crore)	FY16	FY17
	12M, A	12M, A
Total operating income	63.33	66.00
PBILDT	11.71	13.89
PAT	0.41	1.27
Overall gearing (times)	1.23	0.98
Interest coverage (times)	1.96	2.29

Status of non-cooperation with previous CRA: CRISIL has suspended the ratings of SIPL, vide press release dated December 22, 2015. The suspension of ratings is on account of non-cooperation by the company with efforts to undertake a review of the ratings.

Any other information: Not Applicable

Rating History (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.

Analyst Contact

Name: Ms Amita Yadav

Tel: 020 40009012

Email: amita.yadav@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. 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
Fund-based/Non-fund-based-LT/ST	-	-	-	3.97	CARE BB; Stable / CARE A4
Fund-based - LT-Cash Credit	-	-	-	11.00	CARE BB; Stable
Fund-based - LT-Term Loan	-	-	-	5.54	CARE BB; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	4.00	CARE BB; Stable / CARE A4
Non-fund-based - ST-EPC/PCFC	-	-	-	2.00	CARE A4
Fund-based - ST-Foreign Bill Discounting	-	-	-	6.00	CARE A4

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	5.54	CARE BB; Stable	-	-	1)CARE BB; Stable (14-Mar-17)	1)CARE BB (22-Dec-15)
2.	Fund-based/Non-fund-based-LT/ST	LT/ST	3.97	CARE BB; Stable / CARE A4	-	-	1)CARE BB; Stable / CARE A4 (14-Mar-17)	1)CARE BB / CARE A4 (22-Dec-15)
3.	Non-fund-based - ST-EPC/PCFC	ST	2.00	CARE A4	-	-	1)CARE A4 (14-Mar-17)	1)CARE A4 (22-Dec-15)
4.	Non-fund-based - LT/ ST-BG/LC	LT/ST	4.00	CARE BB; Stable / CARE A4	-	-	1)CARE BB; Stable / CARE A4 (14-Mar-17)	1)CARE BB / CARE A4 (22-Dec-15)
5.	Fund-based - LT-Cash Credit	LT	11.00	CARE BB; Stable	-	-	1)CARE BB; Stable (14-Mar-17)	1)CARE BB (22-Dec-15)
6.	Fund-based - ST-Foreign Bill Discounting	ST	6.00	CARE A4	-	-	1)CARE A4 (14-Mar-17)	1)CARE A4 (22-Dec-15)

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 91 98190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 91 98196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 91 99675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 91 98209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 85111-53511/99251-42264
 Tel: +91- 0172-490-4000/01
 Email: anand.jha@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

HYDERABAD**Mr. Ramesh Bob**

CIN - L67190MH1993PLC071691