

Star Track Fasteners Private Limited

January 29, 2020

Ratings

Facilities	Amount (Rs. Crore)	Ratings	Rating Action
Long-term Bank Facilities	5.00	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Short-term Bank Facilities	5.50	CARE A4 (A Four)	Assigned
Long-term/ Short-term Bank Facilities	1.50	CARE BB; Stable/ CARE A4 (Double B; Outlook: Stable/ A Four)	Assigned
Total facilities	12.00		

Detailed Rationale and key rating drivers

The ratings assigned to the bank facilities of Star Track Fasteners Private Limited (STFPL) is constrained by modest scale of operations, customer concentration risk and competitive industry and risks associated with tender based orders. The rating, however, draws comfort from experienced management, moderate financial risk profile and operating cycle along with reputed customer base and moderate order book position.

Positive Factors

- Ability of the company to increase its scale of operations above Rs.50 crore along with improvement in profitability margins.
- Diversification of customer base leading to reduction in risk.

Negative factors

- Decretion in profitability margins as marked by PBILD and PAT margin below 7.00% and 2.50% respectively.
- Elongation of operating cycle more than 90 days leading to higher CC utilization and tight liquidity position.

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. 35.24 crore and Rs. 1.87 crore respectively during FY19 (FY refers to the period April 01 to March 31) as against Rs. 35.76 crore and Rs. 2.30 crore during FY18. Further, the company's net worth also stood relatively comfortable at Rs. 10.46 crore as on March 31, 2019 as against Rs. 9.54 crore as on March 31, 2018. The small scale limits the firm's financial flexibility in times of stress and deprives it of scale benefits. The total operating income and net worth stood at Rs.18.20 crore and Rs.11.15 crore respectively for 8MFY20 (refers to period from April1, 2019 till November 30, 2019).

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 7.75% and 4.21% respectively for FY18 (A) and 8.90% and 2.66% respectively for FY19 (A). Further, the profitability margins as marked by PBILDT and PAT margin which stood at 11.81% and 3.62% respectively for 8MFY20 (refers to period from April1, 2019 till November 30, 2019)

The capital structure of the company comprises of Term Loan of Rs. 0.26 crore, unsecured loans of Rs. 0.17 crore and working capital borrowings of Rs. 4.75 crore for 8MFY20 (refers to period from April1, 2019 till November 30, 2019). The capital structure of the company stood moderate with debt equity and overall gearing of 0.12x and 0.65x respectively as on March 31, 2018 and 0.11x and 0.60x respectively as on March 31, 2019.

Moreover, the coverage indicators stood comfortable as marked by interest coverage ratio and total debt to gross cash accruals of 3.10x and 2.69x for FY18 and 3.80x and 3.31x for FY19 owing to moderate profitability margins. Further, the coverage indicators stood comfortable as marked by interest coverage ratio and total debt to gross cash accruals of 3.91x and 4.03x for 8MFY20 (refers to period from April1, 2019 till November 30, 2019).

Moderate operating cycle

The operating cycle of the company stood moderate for 58 days in FY18 and 68 days in FY19. The company maintains sufficient inventory of raw material for the smooth production process. As the company manufacture product on order base as the 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 collection period stood at 49 days for FY18 and 60 days for FY19.

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.

Analytical Approach: Standalone

Applicable Criteria

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

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

[Criteria for short term instruments](#)

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

About the Firm

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 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. The manufacturing unit of the company is located in Sonipat, Haryana with installed capacity of 950000 units monthly. The raw material of the company mainly comprises of natural and synthetic rubber, carbon, silica, rubber processing chemicals which it procures from numerous dealers across the country. The company procures orders based on online tenders from government for Railways and Metro. Also, it procures various private orders from numerous companies.

(Rs. crore)

Brief Financials	FY18 (A)	FY19 (A)
Total operating income	35.76	35.31
PBILDT	2.77	3.14
PAT	1.51	0.94
Overall gearing (times)	0.65	0.60
Interest coverage (times)	3.10	3.80

A-Audited

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable

Rating History (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	-	-	-	5.00	CARE BB; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	4.00	CARE A4
Non-fund-based - ST-ILC/FLC	-	-	-	1.50	CARE A4
Fund-based/Non-fund-based-LT/ST	-	-	-	1.50	CARE BB; Stable / 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	5.00	CARE BB; Stable	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	4.00	CARE A4	-	-	-	-
3.	Non-fund-based - ST-ILC/FLC	ST	1.50	CARE A4	-	-	-	-
4.	Fund-based/Non-fund-based-LT/ST	LT/ST	1.50	CARE BB; Stable / CARE A4	-	-	-	-

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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