

Rating Advisory

February 26, 2019 | Mumbai

Frontier Springs Limited

Advisory as on February 26, 2019

This rating advisory is provided in relation to the rating of Frontier Springs Limited

The key rating sensitivity factors for the rating include:

- Working capital management
- Sustenance of profitability margins

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Frontier Springs Limited (FSL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If FSL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About The Company

FSL, incorporated in 1981, was promoted by Mr Kundal Lal Bhatia. It manufactures high-capacity springs with diameters of 13-65 millimetres (mm) that are used in heavy engineering industries. It has two plants, one each in Kanpur (Uttar Pradesh) and Poanta Sahib (Himachal Pradesh), with a total installed capacity of 8000 tonne per annum (tpa). FSL has set up a forging unit (in fiscal 2013) in its Kanpur plant, which has a capacity of 1200 tpa.

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Rating Rationale

December 26, 2017 | Mumbai

Frontier Springs Limited

Rated amount enhanced

Rating Action

Total Bank Loan Facilities Rated	Rs.25 Crore (Enhanced from Rs.18.48 Crore)
Long Term Rating	CRISIL BB+/Stable (Reaffirmed)
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL ratings on the bank facilities of Frontier Springs Limited's (FSL) continue to reflect comfortable financial risk profile, extensive industry experience of the promoters, and established relationships with key customers, including the Indian Railways and Bharat Heavy Electricals Ltd. These strengths are partially offset by significant customer concentration in the revenue profile and highly stretched working capital requirements.

Key Rating Drivers & Detailed Description

Strengths

* Established relationships with existing clients

FSL's business risk profile is marked by a strong client portfolio comprising the Indian Railways, Bharat Heavy Electricals Ltd, and various heavy electrical companies. The springs manufactured by the company are used as shock absorbers and find application in railway passenger coaches, wagons, and locomotives; earth moving equipment; power plants; and other heavy industries. The established customer base and long-standing relationship has helped the company get repeated orders from its customers.

* Comfortable financial risk profile

FSL's financial risk profile is expected to continue to remain comfortable with above average debt protection measures marked by NCAAD of 0.36 times in the year 2017 as against 0.21 times in the previous year, and interest coverage of 3.6 times in FY 2017 as against 2.3 times in FY 2016. NCAAD and Interest coverage ratio is expected to be in the range of 0.35-0.45 times and 3-4.5 times over the medium term. The net-worth of the company is at Rs 22.9 crore for the FY 2017. TOL/TNW is expected to remain at around 1.3 times over the medium term.

Weaknesses

* Moderate scale and tender based nature of operations, and customer concentration in revenue profile

FSL recorded operating revenues of Rs.43.35 crores in FY 17. The company derives around 70-80 per cent of its operating income through tenders floated by the Indian Railways which results in significant customer concentration, leading to decline in revenues and margins in the past. The manufacturing facilities have been approved by the Railways Research Designs & Standards Organization (RDSO), and are ISO 9001:2000 certified, enabling repeat orders from the Indian Railways over the years. However, the revenues of the FSL largely depends upon the tender floated by these customers.

* Working capital intensive operations

Operations are highly working capital intensive, with estimated gross current assets of 220 days as on March 31, 2017, mainly led by considerable inventory and debtor days.

Outlook: Stable

CRISIL believes that FSL's business risk profile will remain under pressure on account of customer concentration in revenue. The outlook may be revised to 'Positive' if FSL registers significant and sustainable improvement in its scale of operations and profitability while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company registers a decline in revenue or profitability or significant lengthening in its working capital cycle, or undertakes a large capital expenditure (capex) programme

About the Company

FSL, incorporated in 1981, was promoted by Mr Kundal Lal Bhatia. It manufactures high-capacity springs with diameters of 13-65 millimetres (mm) that are used in heavy engineering industries. It has two plants, one each in Kanpur (Uttar Pradesh) and Poanta Sahib (Himachal Pradesh), with a total installed capacity of 8000 tonne per annum (tpa). FSL has set up a forging unit (in fiscal 2013) in its Kanpur plant, which has a capacity of 1200 tpa.

Key Financial Indicators

Particulars	Unit	2017	2016
Revenue	Rs. Cr.	43.35	39.03
Profit After Tax (PAT)	Rs. Cr.	2.13	0.51
PAT Margins	%	4.92	1.30
Adjusted Debt/Adjusted Net worth	Times	0.60	0.61
Interest coverage	Times	3.8	2.4

Status of non cooperation with previous CRA

FSL has not cooperated with Credit Analysis & Research Ltd. (CARE) which has classified it as non-cooperative vide release dated Oct 10th, 2017. The reason provided by CARE is non-furnishing of information for monitoring of ratings.

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Rating Assigned with Outlook
NA	Bank Guarantee	NA	NA	NA	4	CRISIL A4+
NA	Cash Credit	NA	NA	NA	5.5	CRISIL BB+/Stable
NA	Letter of Credit	NA	NA	NA	6	CRISIL A4+
NA	Standby Line of Credit	NA	NA	NA	0.75	CRISIL BB+/Stable
NA	Term Loan	NA	NA	30-Jun-2020	2.23	CRISIL BB+/Stable
NA	Corporate Loan	NA	NA	Mar-2027	5.50	CRISIL BB+/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	1.02	CRISIL BB+/Stable

Annexure - Rating History for last 3 Years

	Current			2017 (History)		2016		2015		2014		Start of 2014
Instrument	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	15	CRISIL BB+/Stable		No Rating Change		No Rating Change	25-02-15	CRISIL BB+/Stable		No Rating Change	CRISIL BBB-/Stable
Non Fund-based Bank Facilities	LT/ST	10	CRISIL A4+		No Rating Change		No Rating Change	25-02-15	CRISIL A4+		No Rating Change	CRISIL A3

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	4	CRISIL A4+	Bank Guarantee	4	CRISIL A4+
Cash Credit	5.5	CRISIL BB+/Stable	Cash Credit	5.5	CRISIL BB+/Stable
Corporate Loan	5.5	CRISIL BB+/Stable	Letter of Credit	6	CRISIL A4+
Letter of Credit	6	CRISIL A4+	Standby Line of Credit	.75	CRISIL BB+/Stable
Proposed Long Term Bank Loan Facility	1.02	CRISIL BB+/Stable	Term Loan	2.23	CRISIL BB+/Stable
Standby Line of Credit	.75	CRISIL BB+/Stable	--	0	--
Term Loan	2.23	CRISIL BB+/Stable	--	0	--
Total	25	--	Total	18.48	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings](#)

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