

Rating Advisory

November 13, 2019 | Mumbai

Saketh Exim Limited

Advisory as on November 13, 2019

This rating advisory is provided in relation to the rating of Saketh Exim Limited

The key rating sensitivity factors for the rating include:

- Scale of operations and profitability
- Working capital management
- Capital expenditure (capex) plan and its funding

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 Saketh Exim Limited (SEPL) 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 SEPL 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

Incorporated in 2010, SEPL is engaged in manufacturing and fabrication of pipe hangers and pipe support systems. The company also trades in pipe support system components. Operations of the Mumbai-based company are managed by Mr Sanjay Patel. In August, 2018 the company got listed on the NSE SME Exchange through an IPO.

Please note: This advisory should not be construed as a rating reaffirmation.

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Rating Rationale

October 31, 2018 | Mumbai

Saketh Exim Private Limited

Long-term rating upgraded to 'CRISIL BB+/Stable' ; short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.9 Crore
Long Term Rating	CRISIL BB+/Stable (Upgraded from 'CRISIL BB/Stable')
Short Term Rating	CRISIL A4+ (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has upgraded its rating on the long term bank facilities of Saketh Exim Private Limited (SEPL) to '**CRISIL BB+/Stable**' from 'CRISIL BB/Stable' and reaffirmed its rating on short term bank facility at 'CRISIL A4+'.

The upgrade reflects improvement in financial risk profile with increase in networth on back of equity infusion through IPO in Aug 2018, coupled with sustained improvement in business risk profile as reflected in healthy year on year growth in revenue and profitability over the last 4 years through fiscal 2018.

The ratings continue to reflect extensive experience of the promoters and moderate financial risk profile of SEPL. These strengths are partially offset by modest scale of operations.

Key Rating Drivers & Detailed Description

Strengths

* **Extensive experience of the promoters:** Benefits from the two decade-long experience of the promoters in the pipe fitting industry, and their longstanding relationships with customers, will continue to support business over the medium term. SEPL's products are certified by Underwriter's Laboratory Inc. (USA) and FM Global Approved (USA) for fire sprinklers system installations.

* **Moderate financial risk profile:** The financial risk profile has improved on back of equity infusion through SME IPO in August 2018. Networth was Rs. 7.32 crore and total outside liabilities to adjusted networth ratio was 4.02 times as on March 31, 2018, increasing from Rs.4.91 crore a year earlier on account of equity infusion of Rs.1.9 crore. TOL/ANW over the medium term is expected to further improve on back of further infusion of Rs 7.75 crore in fiscal 2019 through SME IPO. Adjusted debt to networth ratio is expected to remain below 1 time over the medium term, interest coverage ratio was 2.3 times for fiscal 2018, expected to improve to 3-4 times over the medium term.

Weakness

* **Modest scale of operations:** Revenue has improved gradually in last 4 fiscals, yet remained modest at Rs.61.67 crore in fiscal 2018, constraining company's bargaining power and ability to service large orders.

Outlook: Stable

CRISIL believes SEPL will continue to benefit from the extensive experience of its promoters. The outlook may be revised to 'Positive' if a significant improvement in revenue and profitability, leads to substantial cash accrual and strengthens the capital structure. The outlook may be revised to 'Negative' if a stretch in the working capital cycle, decline in cash accrual or considerable debt-funded capital expenditure, weakens the financial risk profile, especially liquidity.

About the Company

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Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs crore	61.67	51.05
Profit after tax (PAT)	Rs crore	1.12	0.98
PAT margins	%	1.82	1.92
Adjusted debt/adjusted net-worth	Times	2.45	2.43
Interest coverage	Times	2.3	2.3

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	Cash Credit	NA	NA	NA	3	CRISIL BB+/Stable
NA	Export Packing Credit	NA	NA	NA	3	CRISIL BB+/Stable
NA	Post Shipment Credit	NA	NA	NA	3	CRISIL A4+

Annexure - Rating History for last 3 Years

Instrument	Current			2018 (History)		2017		2016		2015		Start of 2015
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	9.00	CRISIL BB+/Stable/ CRISIL A4+			20-07-17	CRISIL BB+/Stable/ CRISIL A4+		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	3	CRISIL BB+/Stable	Cash Credit	3	CRISIL BB+/Stable
Export Packing Credit	3	CRISIL BB+/Stable	Export Packing Credit	3	CRISIL BB+/Stable
Post Shipment Credit	3	CRISIL A4+	Post Shipment Credit	3	CRISIL A4+
Total	9	--	Total	9	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

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

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