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ICRA assigns long term rating of LBBB- with stable outlook and short term rating at A3 to bank facilities of Sharpline Machinery Private Limited

ICRA has assigned an LBBB- (pronounced L triple B minus) rating to the Rs. 1.0 crore¹ fund-based bank facilities of Sharpline Machinery Private Limited (SMPL)†. The outlook on the long-term rating is 'stable'. ICRA has also assigned an A3 (pronounced A three) rating to the Rs. 6.0 crore non-fund based bank facilities of SMPL.

The assigned ratings take into account the experience of promoters with a long track record in machine tool industry; reputed clientele of SMPL, which reduces its exposure to counterparty risk; the company's low gearing levels that provides some financial flexibility and healthy profitability and coverage ratios of the company. However, the ratings are constrained by the company's current moderate scale of operations, limited ability of the company to scale up its operations, given the current space constraints; a working capital intensive nature of the business due to high order execution time; high customer concentration risk with top four customers contributing for 91% of its total sales in 2009-10 and the declining trends in operating margins over the last three years because of the increase in employee costs. SMPL is part of the Sharpline group, with its sister concern Sharpline Automation Pvt. Ltd. (SAPL) (Rated LBBB- with a stable outlook and A3 by ICRA, August 2010) also involved in the same line of business as SMPL.

Company Profile

Incorporated in 1998, Sharpline Machinery Private Limited (SMPL) is in the business of retrofitting and reconditioning machine tools with the latest CNC components and refurbishing the mechanical components as required by the clients. The company also has technical collaboration with Asquith Butler of UK for manufacture of new machine tools. At present, SMPL operates out of its manufacturing/assembling plants at Talegaon (Near Pune, Maharashtra) and has total man power of 45.

SMPL is the sister concern of Sharpline Automation Pvt. Ltd. (SAPL) (Rated LBBB- with a stable outlook and A3 by ICRA, August 2010) which is the flagship company of the Sharpline group. SMPL was established in 1998 due to the lack of space at SAPL's manufacturing location and in order to come closer to its customer base. SMPL executes retrofitting orders for larger machine tools and is also involved in the manufacture of new machines in collaboration with Asquith Butler, UK. Over the last 15 years, Sharpline Group has attained expertise in retrofitting old CNC machines with new CNC packages and has successfully completed more than 750 retrofitting projects of various types of machine tools.

Recent Results

SMPL reported a profit before tax (PBT) of Rs. 0.59 crore as per the provisional results for 2009-10 on an operating income of Rs. 9.79 crore. In 2008-09, the company made a net profit of Rs. 0.56 crore on an operating income of Rs. 8.95 crore.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

¹100 lakh = 1 crore = 10 million

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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