

Synnova Gears & Transmissions Private Limited

Instrument	Amount	Rating Action
Cash Credit	Rs.16.00 Crore (enhanced from Rs.13.00 crore)	[ICRA]BB(Stable); reaffirmed/assigned
Term Loan	Rs.9.71 crore (enhanced from Rs.5.68 crore)	[ICRA]BB(Stable); reaffirmed/assigned

ICRA has reaffirmed/assigned the long term rating of [ICRA]BB(pronounced ICRA double B) assigned to the Rs.16.00 crore (enhanced from Rs.13.00 crore) cash credit facility and Rs.9.71 crore (enhanced from Rs.5.68 crore) term loan facility of Synnova Gears & Transmissions Private Limited (SGTPL). The long term rating carries a stable outlook.

The rating continues to be constrained on account of the company's moderate size of operations, low net profitability on account of high depreciation and interest cost and high working capital intensity due to stretched receivables and high inventory holding which also augments its vulnerability to adverse fluctuation in steel prices. The rating also factor in the dependence of operations on the agricultural production since its customer base is concentrated towards Tractor OEMs.

The rating continues to factor in the sound operating margins and healthy growth in top line given the presence in value additive nature of work. The ratings also continue to favorably consider the qualified management with experience in engineering industry.

ICRA expects SGTPL's revenues to improve by ~5-7% in FY2016-2017 compared to that during FY2015-2016. The company's operating profits would improve supported by increased demand in domestic as well as export market. Further, the relatively higher interest expenses are expected to pressurize the net profit margins due to high inventory holding entailing full utilization of working capital thereby leading to stretched capital structure.

Company Profile

Incorporated in 2010, Synnova Gears & Transmissions Private Limited (SGTPL) is engaged in manufacture of gears and auto parts with an installed capacity of manufacturing 2, 00,000 gears per month. The company's products include shafts, ring gear supports, transmission gears, pump gears and other customized products. The gears and transmission products manufactured by SGTPL find application in automotive segment, agricultural equipments, wind energy equipments and construction industry. SGTPL is located in Rajkot, Gujarat.

Recent Results

During FY2016, SGTPL reported an operating income of Rs.41.15 crore and profit before depreciation and tax of Rs.5.42 crore.

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