

Schwing Stetter India Private Limited

	Amount (Rs. Crore ¹)	Rating Action (September 2016)
Long Term/Short Term Working capital facilities	280.00	Assigned [ICRA]A-/ [ICRA]A2+; assigned Stable outlook
Commercial paper	150.00	Outstanding [ICRA]A2+

ICRA has assigned long term rating of [ICRA]A- (pronounced ICRA A minus) with Stable outlook and short term rating of [ICRA]A2+ (pronounced ICRA A two plus) for Rs. 280.00 crore working capital facilities of Schwing Stetter India Private Limited (SSIPL)[†]. ICRA also has an outstanding rating of [ICRA]A2+ (pronounced ICRA A two plus) for Rs. 150.0 crore commercial paper (CP) programme of SSIPL.

The rating factors in the steady improvement in the financial risk profile of the company driven by the revival in demand for its products (ready mix concrete (RMC) handling equipment) following recovery in road projects over the last few quarters. SSIPL's enjoys benefits of an established market position in the industry, a wide network of service centers and a strong brand, all of which have allowed it to translate the demand revival into growth in turnover - by 14% from Rs. 764 crore in CY2014 to Rs. 868 crore in CY2015. In addition, the order booking for the company has improved giving higher revenue visibility. Growth in scale of operations, along with various cost optimization efforts undertaken by the company have led to improvement in operating margins from 5.3% in CY2014 to 8.3% in CY2015. Further, the company has been able to manage its working capital effectively which has led to reduction in working capital intensity from 37% in CY2014 to 28% in CY2015 resulting in decline in working capital borrowings. This along with scheduled repayment of long term debt has resulted in decline in total debt levels with resultant decline in gearing and improvement in coverage indicators.

Further the rating continues to derive comfort from the technological support from its parent Schwing Gmbh, Germany (Schwing) which is one of the largest manufacturers of construction equipments (concerning concrete) globally. Schwing is 93% owned by Xuzhou Construction Machinery Group (XCMG) which is one of the largest construction equipment manufacturers globally. The company has also launched some of XCMG's products in India and further plans to launch more products. This would enable the company broaden its product range and diversify its revenues.

However, the rating continues to be constrained on account of the inherent cyclicity in the operations of company given its direct linkage with the economic cycles. Further SSIPL's working capital intensive operations and exposure to intense competition in the domestic RMC handling equipment segment keep its profitability under pressure. ICRA has also taken note of the sizeable debt funded capex plan of the company over next two years which is expected increase its leverage and impact its coverage metrics. However ICRA expects the internal accrual generation of the company to remain healthy and the cash flows to be adequate to meet the future capex and debt repayment requirements.

Company Profile:

Schwing Stetter India Pvt. Ltd. (SSIPL), incorporated in 1998, is a wholly-owned subsidiary of Schwing Gmbh, Germany. SSIPL's operations consist of manufacture and supply of equipments and spare parts relating to handling of ready mix concrete viz. Concrete Mixers, Concrete Pumps and Batching Plants & Recycling Plants. SSIPL has 4 manufacturing plants, 18 branches and 9 service centres across India with whole range of spares, service, training and design facilities.

Schwing Group is one of the world's largest manufacturers of construction equipments concerning concrete. Schwing Group, Germany manufactures concrete mixing equipments (Batching plant), Truck mixers, Concrete Pumps, Shotcreting machines used for concreting tunnels and recycling plant for conversion of waste concretes. The company has a wide range of equipments pertaining to the process of concrete making. Schwing Group has been operating for more than 70 years and currently it has operations in 11 countries.

¹ 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's Website, www.icra.in, or any of the ICRA Rating Publications



XCMG is one of the leading Chinese manufacturers of construction machinery equipments, which was established in 1989 and is based out of Xuzhou, Jiangsu. It ranks amongst the largest manufacturers in the global construction machinery industry. The group offers a broad product range of heavy machinery equipments like cranes, loaders, heavy-duty trucks, and special-purpose vehicles.

Recent Results

For CY2015, SSIPL reported an operating income of Rs. 868.4 crore and net profit of Rs. 52.1 crore as against operating income of Rs. 764.1 crore and net profit of Rs. 1.4 crore in CY2014.

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