

Press Release
Tritronics India Private Limited

October 09, 2017


Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

** Refer Annexure for details*
Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 17.00 crore bank facilities of Tritronics India Private Limited. The outlook is '**Stable**'.

Tritronics India Private Limited (TIPL), a New Delhi-based company incorporated in 1988 was promoted by Mr. Rajan Chadha and Mr. Rajiv Chatrath. The company is engaged in the manufacturing of UPS systems, solar inverters, solar panels and other power conditioning equipments at Parwanoo, Himachal Pradesh. TIPL caters to the telecom, banking and insurance, central and state government departments among others.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

Owing to its long track record of more than two decades in the industry, TIPL has been able to establish healthy relations with customers and also benefit from repeat orders. The Directors, Mr. Rajan Chadha and Mr. Rajiv Chatrath have more than two decades of experience in the said line of business.

- Reputed customer base**

TIPL caters to Bank of Baroda, HCL Technologies Limited, L & T, National Informatics Centre and others.

- Improvement in profitability margins**

TIPL registered improvement in margins Y-O-Y during the period under study. The EBITDA margins stood at 3.52 per cent in FY2016 as against 3.45 per cent in FY2015. Also, as per provisional financials for FY2017, the EBITDA margins stood at 6.16 per cent. The margins improved on account of decrease in other manufacturing and administration costs in FY2017 compared to FY2016. The PAT margins stood at 1.30 per cent in FY2017 (Provisional) as against 1.14 per cent in FY2016 and 1.00 per cent in FY2015.

- Moderate financial risk profile**

The financial risk profile of TIPL is moderate marked by comfortable net worth of Rs. 13.31 crore as on 31 March, 2017 (Provisional) as against Rs.12.74 crore as on 31 March, 2016. The gearing stood at 1.44 times as on 31 March, 2017 (Provisional) compared to 0.93 times a year earlier. This is on account of increase in working capital borrowings in FY2017 over the previous year and additional loan taken from NSCI in FY2017. The total debt of Rs.19.13 crore outstanding as on 31 March, 2017 (Provisional) comprises Rs. 4.85 crore of unsecured loans from promoters, working capital borrowing of Rs.10.40 crore and loan of Rs. 3.88 crore from NSIC. The interest coverage ratio is

moderate at 1.39 times in FY2017 (Provisional) as against 1.47 times in FY2016. The net cash accruals stood low at Rs. 0.67 crore in FY2017 (Provisional) as against Rs. 0.72 crore in FY2016. The DSCR stood low at 0.97 times in FY2017 (Provisional) compared to 1.36 times in FY2016.

Weaknesses

- **Uneven revenue trend**

TIPL registered uneven revenue trend mainly on account of its tender based nature of business. The operating income stood at Rs. 51.13 crore in FY2016 compared to Rs. 45.40 crore in FY2015. However, as per provisional financials for FY2017, operating income stood at Rs.43.19 crore. The company has moderate unexecuted order book position of Rs.60.70 crore which provides revenue visibility for FY2017-18.

- **Deterioration in working capital cycle**

The working capital cycle deteriorated to 242 days in FY2017 (Provisional) from 100 days in FY2016 on account of increase in receivable days to 239 in FY2017 (Provisional) from 142 in FY2016. Most receivables are from government entities. The inventory holding period also increased to 131 days in FY2017 (Provisional) as against 104 days in FY2016. The GCA days increased to 395 in FY2017 (Provisional) from 262 in FY2016. The bank limit utilisation stood at 85 per cent for the last six months ended August 2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of Tritronics India Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that TIPL will maintain a stable outlook over the medium term on account of its established track record of operations and extensive experience of the management. The outlook may be revised to 'Positive' in case the company registers substantial increase in profitability margins supported by healthy revenue growth or significant improvement in its capital structure owing to equity infusion by directors. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins, significant deterioration in its financial risk profile or elongated working capital cycle.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), TIPL reported profit after tax (PAT) of Rs. 0.56 crore on operating income of Rs.43.19 crore compared to PAT of Rs.0.58 crore on operating income of Rs. 51.13 crore for FY2015-16. The tangible net worth stood at Rs.13.31 crore as on 31 March, 2017 (Provisional) as against Rs. 12.74 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB- / Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	8.00*	SMERA A4
Short Term (Proposed)	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4

*Includes sublimit of Rs. 3.00 crores as Letter of Credit.

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ABOUT SMERA

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