Press Release

Tritronics India Private Limited

December 20, 2018

Rating Downgraded and Reaffirmed

Total Bank Facilities Rated*	17.00 Cr.
Long Term Rating	ACUITE B+/Stable (Downgraded from ACUITE BB-/Stable)
Short Term Rating	ACUITE A4

**Refer Annexure for details*

Rating Rationale

Acuité has downgraded the long term rating to **'ACUITE B+' (read as ACUITE B plus)** from **'ACUITE BB-' (read as ACUITE double B minus)** and reaffirmed the short term rating of **'ACUITE A4' (read as ACUITE A four)** to the Rs. 17.00 crore bank facilities of Tritronics India Private Limited (TIPL).

The rating downgrade is on account of lower than expected revenues, profitability in FY2018 over FY2017, and further stretch in the receivables resulting in full utilisation of bank limits and weak liquidity position because of insufficient net cash accruals in order to repay its long term debt obligation.

TIPL manufactures and markets UPS systems, solar inverters, and other solar power conditioning equipment. The company also provides other power conditioning equipment, such as inverters and power plants for telecom application, CVTs, servo stabilizers, and isolation transformers and solar power solutions. TIPL caters to sectors such as telecom, banking and insurance, central and state government departments, and defence services and PSUs.

Analytical approach:

Acuité has considered the standalone business and financial risk profile of TIPL to arrive at the rating.

Key Rating drivers

Strengths:

Established track record of operations and experienced management

The company has established track record of operations of more than two decades as it was incorporated in 1988, thereby establishing healthy relationship with the customers which help to get repeated orders from them. The Directors, Mr. Rajan Chadha and Mr. Rajiv Chadha have more than two decades of experience in the solar industry.

Weaknesses

Uneven revenues and profitability:

The operating income of TIPL is uneven during the period under the study due tender based nature of business. The operating income stood at Rs.49.08 crore in FY2018 as against Rs.43.19 crore in FY2017 and Rs.51.13 crore in FY2016. Further, the company has booked revenue of Rs.22.00 crore for the period of April to November 2018. The unexecuted order book position is low at Rs.19.27 crore as on November, 2018 from RICOH Solar power, ZTE telecommunication Limited, Panasonc India Pvt Ltd, Uttar Pradesh New & Renewable Energy Development Agency (UPNEDA) to name a few.

The profitability margins of TIPL are improving at operating levels; however, has uneven at net profit levels. The EBITDA margins have improved to 5.97 percent in FY2018 (PY: 5.78 percent). This is majorly on account of decline in raw material prices in FY2018 over FY2017. The net profitability margins have declined to 0.91 percent in FY2018 (PY: 1.16 percent) on account of increase in interest cost in FY2018 over FY2017 due to increased utilisation of working capital limits.

Acuité believes that the ability of the company to maintain its revenue streams and profitability will be key rating sensitivity.

Working capital intensive operations:
The working capital cycle of TIPL has remained intensive marked by high Gross Current Assets (GCA) of 345 days in FY2018 (PY: 358 days). This is majorly on account of stretched receivables and high inventory holding period. The company maintains high inventory holding period of around 100 to 120 days in order to give in time delivery. The receivable days stood at 258 days in FY2018 (PY: 246 days). The company's customer base mainly includes government departments which receive funds from state and central government. Further, the power distribution companies release money after clearance of quality checks. Therefore, there is usually a significant time lag in realisation of receivables which further results in delayed payment to its supplier resulting in almost full utilisation of the working capital limits during the past 12 months ending November, 2018. The ability of the company to manage its receivables will remain critical in order to maintain its working capital cycle.

Average financial risk profile:
The financial risk profile of TIPL has remained average marked by comfortable net worth of Rs.13.69 crore as on 31 March, 2018 (PY: Rs.13.24 crore). The gearing stood at 1.36 times as on 31 March, 2018 (PY: 1.34 times). The total debt of Rs.18.58 crore outstanding as on 31 March, 2018 comprises of Rs.3.73 crore as unsecured loans from the promoters, working capital borrowing of Rs.11.36 crore and loan from NSIC of Rs.3.49 crore. The interest coverage ratio (ICR) is moderate at 1.29 times in FY2018 as against 1.39 times in FY2017. The ICR has slightly declined on account of increase in interest cost in FY2018 over FY2017.

The net cash accruals stood at Rs.0.54 crore in FY2018 as against the repayment obligation of Rs.3.29 crore in the same year. The net cash accruals have declined on account of decline in net profitability in FY2018 over FY2017.

Outlook: Stable
Acuité believes that TIPL will continue to maintain 'Stable' outlook over the medium term on account of the company's established track record of operations in the solar industry and extensive experience of the Directors. The outlook may be revised to 'Positive' in case the company registers substantial increase in its profitability margins supported by healthy revenue growth or significant improvement in its capital structure resulting from considerable equity infusion by the Directors. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in company's profitability margins or significant deterioration in the financial risk profile or elongated working capital cycle.

About the rated entity- Key financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	49.08	43.19	51.13
EBITDA	Rs. Cr.	2.93	2.50	1.80
PAT	Rs. Cr.	0.44	0.50	0.58
EBITDA Margin	(%)	5.97	5.78	3.52
PAT Margin	(%)	0.91	1.16	1.14
ROCE	(%)	10.86	10.01	20.59
Total Debt/Tangible Net Worth	Times	1.20	1.26	0.93
PBDIT/Interest	Times	1.29	1.34	1.47
Total Debt/PBDIT	Times	4.99	5.95	4.54
Gross Current Assets (Days)	Days	345	358	263

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

None

Any other information

None

Applicable Criteria

- Default Recognition -https://www.acuite.in/view-rating-criteria-17.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
09-Oct-2017	Cash Credit	Long term	6.00	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short term	8.00*	ACUITE A4 (Reaffirmed)
	Proposed Short term	Short term	3.00	ACUITE A4 (Reaffirmed)
31-Aug-2016	Cash Credit	Long term	6.00	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short term	8.00	ACUITE A4 (Reaffirmed)
	Proposed Cash credit	Long term	3.00	ACUITE BB-/Stable (Withdrawn)
	Letter of credit	Short term	3.00	ACUITE A4 (Assigned)
08-Jun-2015	Cash Credit	Long term	6.00	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short term	8.00	ACUITE A4 (Assigned)

	Proposed Cash credit	Long term	3.00	ACUITE BB-/Stable (Assigned)

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

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B+/Stable (Downgraded from ACUITE BB-/Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4 (Reaffirmed)
Proposed short term	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:
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