

Press Release

K-SAMBHAV POWERTRONICS PRIVATE LIMITED (KSPPL)

March 06, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 6.00 crore bank facilities of K-SAMBHAV POWERTRONICS PRIVATE LIMITED. The outlook is '**Stable**'.

The Uttar Pradesh-based, KSPPL, established in 1996 was promoted by Mr. A.K Raina. KSPPL is engaged in the business of manufacturing of Transformers.

Key Rating Drivers

Strengths

- **Experienced Management**

Mr. A.K Raina the managing director has experience of more than two decades in the electrical industry.

Weaknesses

- **Modest scale of operations and profitability:**

KSPPL has modest scale of revenues of Rs. 6.27 Crore in FY2017 and Rs. 6.73 crore in FY2016. The operating margins (EBITDA) stood at 11.53 per cent in FY2017 as against 10.30 per cent in FY2016. This is mainly due to reduced cost of raw materials as a percentage of sales. Further the Profit after tax (PAT) margins had declined from 0.35 per cent in FY2016 to 0.01 per cent in FY2017 which is mainly due to increase in interest obligations.

- **Below average Financial Risk Profile**

KSPPL has a networth of Rs. 1.01 crore as on 31 March 2017. The gearing stood at 5.17 times as on 31 March 2017 against 3.77 times as on 31 March 2016. The total debt of Rs. 5.21 crore as on 31 March 2017 mainly comprises of Rs. 1.21 crore unsecured loans from directors and working capital facilities of Rs. 3.93 crore. The Interest coverage ratio declined to 1.22 times in FY2017 from 1.36 times in FY2016. The total outstanding liability to total net worth (TOL/TNW) has gone up to 8.33 times in FY2017 as against 5.40 times in FY2016.

- **Working capital intensive operations:**

KSPPL operations are working capital intensive marked by Gross current assets (GCA) of 464 days in FY2017 as against 268 days in FY2016. The company maintains inventory of 356 days in FY2017 as compared to 239 days in FY2016. Further, the company had debtors outstanding of 125 days in FY2017 as compared to 35 days in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes KAPPL will maintain stable outlook owing to long experience of the promoters in the business. The outlook may be revised to 'Positive' if the company is able to scale up the operations while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY2017 (Actual)	FY2016 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	6.27	6.73	5.83
EBITDA	Rs. Cr.	0.72	0.69	0.58
PAT	Rs. Cr.	0.00	0.02	0.02
EBITDA Margin	(%)	11.53	10.30	9.96
PAT Margin	(%)	0.01	0.35	0.28
ROCE	(%)	11.51	13.28	21.24
Total Debt/Tangible Net Worth	Times	5.17	3.77	3.06
PBDIT/Interest	Times	1.22	1.36	1.53
Total Debt/PBDIT	Times	6.72	5.09	4.85
Gross Current Assets (Days)	Days	464	268	377

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Aug-2017	Cash Credit	Long Term	INR 1.50	SMERA B Issuer not co-operating
	Bills Discounting	Long Term	INR 1.50	SMERA B Issuer not co-operating
	Letter of Credit	Short Term	INR 0.50	SMERA A4 Issuer not co-operating
	Bank Guarantee	Short Term	INR 2.50	SMERA A4 Issuer not co-operating
06-Jun-2016	Cash Credit	Long Term	INR 1.50	SMERA B / Stable (Assigned)
	Bills Discounting	Long Term	INR 1.50	SMERA B / Stable (Assigned)
	Bank Guarantee	Short Term	INR 2.50	SMERA A4 (Assigned)

	Letter of Credit	Short Term	INR 0.50	SMERA A4 (Assigned)
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***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	1.50	SMERA B/ Stable (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B/ Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4 (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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