

Shri Balaji Electricals: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	7.00	SMERA B+/Stable (Assigned)
Term Loan	3.60	SMERA B+/Stable (Assigned)

SMERA has assigned rating of '**SMERA B+**' (read as **SMERA B plus**) to the Rs.10.60 crore bank facilities of Shri Balaji Electricals (SBE). The outlook is '**Stable**'.

The rating derives comfort from the experienced management and improving operating income. However, the rating is constrained by the below average financial risk profile, declining operating and PAT margins and highly fragmented industry. The rating also factors in the susceptibility of margins to volatility in raw material prices.

SBE is headed by Mr. Peeyush Goyal (Promoters) who possesses over two decades of experience in the capital goods industry. The firm's financial risk profile is marked by low net worth of Rs.2.28 crore as on March 31, 2015 together with ICR at 1.31 times and DSCR at 1.31 times as on March 31, 2015. Further, the gearing has been moderate at 2.15 times as on March 31, 2015.

Besides, the profit margins are susceptible to raw material price fluctuations. The operating margins have shown uneven trends in the past. In FY2013, the EBITDA stood at 1.68 per cent and rose to 3.84 per cent in FY2014 declining to 2.06 per cent in FY2015. The PAT margin was 0.90 per cent in FY2014 which fell to 0.44 per cent in FY2015.

Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Improvement in debt coverage indicators

Outlook-Stable

SMERA believes that SBE will continue to benefit over the medium term from its established presence in the electrical and hardware segment of the capital goods industry. The outlook may be revised to 'Positive' if the firm's scale of operations increases substantially while also improving its operating profitability and financial risk indicators. Conversely, the outlook may be revised to 'Negative' if the profit margins decline in the medium term due to fluctuations in raw material prices and deterioration in the financial risk profile.

Criteria to arrive at the rating

- Trading entities

About the Firm

SBE is a proprietorship firm established in 2000 by Mr Peeyush Goyal. The Delhi-based firm trades in cables, wires, MCBs among others and has obtained dealership of electrical goods manufacturers such as Havells India, Nicco Corporation Ltd to name a few.

The firm has also procured a sub-contract from Tata-Adelsea to manufacture blankets used in railway tracks. The manufacturing facility is located at Firozabad, Uttar Pradesh.

In FY2014-15, the firm reported profit after tax (PAT) of Rs.0.15 crore on operating income of Rs.33.39 crore.

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ABOUT SMERA

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