

## Press Release

### Surendra Electricals Private Limited (SEPL)

13 May, 2017

### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.22.00 Cr
<b>Long Term Rating</b>	SMERA B+/Stable (Assigned)
<b>Short Term Rating</b>	SMERA A4 (Assigned)

*\*Refer Annexure for details*

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.22.00 crore bank facilities of Surendra Electricals Private Limited (SEPL). The outlook is '**Stable**'.

Surendra Electricals Private Limited (SEPL) was incorporated in 2005 as a private limited company. The company is managed and promoted by Mr. Jawahar Lal Zutshi, Mr. Amit Gadia, Mr. Varun Kr. Gadia and Mrs. Richa Gadia. Initially the company started with the manufacturing of low tension electric control panels and bus ducts. Later in the year 2010, the company started the installation of the same. Further, in the year 2013, the company is engaged in the laying of transmission and setting up substations through bidding tenders in the state of Rajasthan.

### List of key rating drivers and their detailed description:

#### Strengths:

**Experienced management & Long track of operation:** SEPL, incorporated in 2005 is a Delhi based company. The promoters Mr. Jawahar Lal Zutshi, Mr. Amit Gadia, Mr. Varun Kr. Gadia and Mrs. Richa Gadia have over a decade of experience in the power transmission industry.

**Reputed Clientele:** The company has reputed list of clients including state-run power companies such as Jodhpur Vidyut Vitran Nigam Limited (JVVNL), Ajmer Vidyut Vitran Nigam Limited (AVVNL) and Indian Oil Corporation Limited (IOCL) to name a few.

#### Weaknesses:

**Moderate scale of operations amidst tender based nature of business:** SEPL operations stood at a moderate scale despite a growth in operating income at a CAGR of 28.95 percent for the period under study from FY2014-16 on account of increase in order book value. Operating income stood at Rs.14.75 crore in FY2016 as compared to Rs.8.24 crore in FY2015. In FY2017, the operating income stood at Rs.14.50 crore (provisional). The business of the company is highly dependent on the firm's ability to successfully bid for the contracts. However, the promoters' experience and relationship partially mitigates this risk.

**Working capital intensive business:** The operations are working capital intensive marked by gross current assets (GCA) of 427 days in FY2016. This is on account of stretched inventory and debtors of 210 days and 206 days respectively. Further, the company's liquidity profile is stretched as it fully utilises its working capital limits.

**Analytical approach:** SMERA has considered the standalone business and financial risk profile of the company

### Applicable Criteria

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

### Outlook: Stable

SMERA believes SEPL's outlook will remain stable and the company will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company is able to have a steady and diversified revenue profile with stable operating margins and improving its working capital cycle effectively. The outlook may be revised to 'Negative' in case the company faces further elongation in its working capital cycle or fall in revenue.

### About the Rated Entity – Key Financials

For FY2016, the company reported profit after tax (PAT) of Rs.0.10 crore on operating income of Rs.14.75 crore, as compared with PAT of Rs.0.31 crore on operating income of Rs.16.22 crore in FY2015. The net worth stood at Rs.3.02 crore as on March 31, 2016 against Rs.2.02 crore a year earlier. The net worth of Rs.3.02 crore in FY2016 includes quasi-equity of 1.19 crore.

**Status of non-cooperation with previous CRA (if applicable):** Not Applicable

**Any other information:** Not Applicable

### Rating History for the last three years:

Name of Instrument /Facilities	FY 2018			FY 2017		FY 2016		FY 2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	3.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	4.00	SMERA A4 (Assigned)	-	-	-	-	-	-
Inland Letter of Credit	ST	2.00	SMERA A4 (Assigned)	-	-	-	-	-	-
Proposed Bank Facility	LT	13.00	SMERA B+/Stable (Assigned)	-	-	-	-	-	-

**\*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	N.A	N.A	N.A	3.00	SMERA B+/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	4.00	SMERA A4 (Assigned)
Inland Letter of Credit	N.A	N.A	N.A	2.00	SMERA A4 (Assigned)
Proposed Bank Facility	N.A	N.A	N.A	13.00	SMERA B+/Stable (Assigned)

**Note on complexity levels of the rated instrument:**

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

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**ABOUT SMERA**

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