

Press Release
Surendra Electricals Private Limited
January 03, 2019
Rating Reaffirmed



| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs.22.00 Cr. |
| Long Term Rating | ACUITE B+ / Outlook: Stable |
| Short Term Rating | ACUITE A4 |

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.22.00 cr. bank facilities of Surendra Electricals Private Limited. The outlook is '**Stable**'.

Surendra Electricals Private Limited (SEPL) was incorporated in 2005. 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 lines and setting up substations through bidding tenders in the state of Rajasthan.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SEPL to arrive at this rating.

Key Rating Drivers

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.

The company has reputed list of clients including state-run power companies such as Jodhpur Vidyut Vitran Nigam Limited (JVNL), Ajmer Vidyut Vitran Nigam Limited (AVVNL) and Indian Oil Corporation Limited (IOCL) to name a few. SEPL has unexecuted order book of Rs.53.71 crore which provides the revenue visibility in the near term.

Acuité expects the company will continue to benefit from its experienced management and the healthy relation with reputed clientele.

Weaknesses

• Average financial risk profile

The financial risk profile of SEPL has remained average marked by low net worth of Rs.2.04 crore as on 31 March, 2018 as against 1.92 times as on 31 March 2017. The gearing stood high which deteriorated to 3.26 times as on 31 March, 2018 from 2.03 times as on 31 March 2017. The total debt of Rs.6.65 crore outstanding as on 31 March, 2018 comprises of Rs.3.65 crore as unsecured loans from the promoters and working capital borrowing of Rs.3.00 crore. The interest coverage ratio (ICR) is moderate at 1.26 times in FY2018 as against 1.25 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 16.20 times as on 31 March, 2018 as against 4.79 times as on 31 March, 2017.

• Uneven revenue and profitability

SEPL's revenue and profitability have shown volatile trend during the period under study (FY2015-FY2018). The revenues stood at Rs.18.18 crore in FY2018 from Rs.11.85 crore in FY2017. The operating margins have declined to 5.85 percent in FY2018 from 7.73 percent in FY2017. The decrease in the

margins was mainly on account of increase in the raw material cost.

• Working capital intensive operations

The working capital cycle of SEPL has remained intensive marked by high Gross Current Assets (GCA) of 612 days in FY2018 as against 280 days in FY2017. This is majorly on account of stretched receivables and high inventory holding period. The company maintains high inventory holding period of around 200 days in order to give in time delivery. The receivable days stood at 365 days in FY2018 as against 126 days in FY2017. The company's customer base mainly includes government departments which receive funds from state and central government. Hence there is usually a significant time lag in realisation of receivables which further results in delayed payment to its suppliers resulting in almost full utilisation of the working capital limits during the past 12 months ending November 30, 2018. The ability of the company to manage its receivables will remain critical in order to maintain its working capital cycle.

• Competitive and fragmented industry

The company faces competition from the several other organized as well as unorganized players in the sector. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent on account of extensive experience of the management.

Outlook: Stable

Acuité 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

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 18.18 | 11.85 | 14.75 |
| EBITDA | Rs. Cr. | 1.06 | 0.92 | 1.17 |
| PAT | Rs. Cr. | 0.12 | 0.09 | 0.10 |
| EBITDA Margin (%) | (%) | 5.85 | 7.73 | 7.93 |
| PAT Margin (%) | (%) | 0.65 | 0.77 | 0.67 |
| ROCE (%) | (%) | 15.91 | 14.05 | 29.13 |
| Total Debt/Tangible Net Worth | Times | 3.26 | 2.03 | 3.15 |
| PBDIT/Interest | Times | 1.26 | 1.25 | 1.29 |
| Total Debt/PBDIT | Times | 5.54 | 3.78 | 4.66 |
| Gross Current Assets (Days) | Days | 612 | 280 | 427 |

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 |
|-----------|---------------------------------|------------|-----------------|-----------------------------|
| 25-Jul-18 | Cash Credit | Long term | 3.00 | ACUITE B+ (Indicative) |
| | Bank Guarantee | Short Term | 4.00 | ACUITE A4 (Indicative) |
| | Letter of Credit | Short Term | 2.00 | ACUITE A4 (Indicative) |
| | Proposed Bank Facility | Long term | 13.00 | ACUITE B+ (Indicative) |
| 13-May-17 | Cash Credit | Long term | 3.00 | ACUITE B+/Stable (Assigned) |
| | Bank Guarantee | Short Term | 4.00 | ACUITE A4 (Assigned) |
| | Letter of Credit | Short Term | 2.00 | ACUITE A4 (Assigned) |
| | Proposed Bank Facility | Long term | 13.00 | ACUITE 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 | Not Applicable | Not Applicable | Not Applicable | 3.00 | ACUITE B+ /Stable (Reaffirmed) |
| Bank guarantee | Not Applicable | Not Applicable | Not Applicable | 5.00 (Enhanced from Rs.4.00 crore) | ACUITE A4 (Reaffirmed) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 4.00 (Enhanced from Rs.2.00 crore) | ACUITE A4 (Reaffirmed) |
| Proposed Bank Facility | Not Applicable | Not Applicable | Not Applicable | 10.00 (Revised from Rs.13.00 crore) | ACUITE B+ /Stable (Reaffirmed) |

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About Acuité Ratings & Research:

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