

Press Release

Eta Engineers Bangalore Private Limited

July 21, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 13.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 13.00 crore bank facilities of Eta Engineers Bangalore Private Limited. The outlook is '**Stable**'.

ETA Engineers Bangalore Private Limited (EEBPL) was incorporated in 2009. The company executes electrical contracts for government departments and derives around ~90 percent revenue from Karnataka Power Transmission Corporation Limited (KPTCL). Based in Bangalore, the company has the capacity to construct 400 KV grids.

Key Rating Drivers

Strengths

- **Experienced management**

EEBPL was incorporated in 2009 by Mr Ranganath Rao and Mr. Vidya Ranganath. The promoters have experience of almost two decades in the aforementioned line of business.

- **Healthy revenue growth**

The revenue grew to Rs. 29.22 crore in FY2017 (Provisional) from Rs. 17.94 crore in FY2016 owing to increase in orders from KPTCL. The revenues have grown at a CAGR of 32 percent from FY2014 to FY2017 (Provisional).

- **Moderate financial risk profile**

The financial risk profile of EEBPL is moderate marked by net worth stood of Rs. 7.59 crore as on 31 March, 2017 (Provisional) compared to Rs.5.22 crore as on 31 March, 2016. The gearing stood at 1.02 times as on 31 March, 2017 (Provisional) as against 0.92 times as on 31 March, 2016. The ICR stood at 5.59 times in FY2017 (Provisional) as against 3.21 times in FY2016. The DSCR stood at 4.29 times in FY2017 (Provisional) compared to 2.41 times in FY2016. SMERA expects that the gearing will improve in the medium term on account of repayment of term loans and absence of future debt funded capex.

Weaknesses

- **Tender based business**

EEBPL undertakes electrical contracts for Karnataka Power Transmission Corporation Limited (KPTCL). The nature of operations are tender based.

- **Customer concentration risk**

EEBPL mainly caters to Karnataka Power Transmission Corporation Limited (KPTCL) which accounts for almost 90 percent of revenues thus exposing it to customer concentration risk.

Analytical Approach

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

Outlook: Stable

SMERA believes that EEBPL will maintain a 'Stable' outlook in the medium term and continue to benefit from its long track record of operations. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also maintaining operating profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded or working capital requirements.

About the Rated Entity - Key Financials

The company reported profit after tax (PAT) of Rs. 2.36 crore on net sales of Rs. 29.22 crore in FY2017 (Provisional) as against PAT of Rs.0.84 crore on net sales of Rs. 17.94 crore in FY2016. The net worth stands at Rs. 7.59 crore as on 31 March 2017 (Provisional) compared to Rs. 5.22 crore as on 31 March, 2016.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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	8.00	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+

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ABOUT SMERA

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