

Press Release

Sai Applied Technologies Private Limited

October 05, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Upgraded from ACUITE BB+/ Stable)
Short Term Rating	ACUITE A3 (Upgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE BBB-**' (read as ACUITE triple B minus) from '**ACUITE BB+**' (read as ACUITE double B plus) and short term rating to '**ACUITE A3**' (read as ACUITE A three) from '**ACUITE A4+**' (read as ACUITE A four plus) to bank facilities of on the Rs. 8.00 crore of Sai Applied Technologies Private Limited (SAT). The outlook is '**Stable**'.

The rating upgrade is driven by steady growth in revenue which is reflecting in sustained improvement in profitability margins of the company for the period under study FY2015-FY2018. The operating income of the company grew at a CAGR of 29 percent over the last four years from FY2015 to FY2018 while maintaining operating margins at around 12-13 percent.

The Gujarat-based, SAT was incorporated by Mr. Prakash Jambur and Mrs. Sucharitha Jambur in 2014. SAT is engaged into manufacturing, erection and commissioning of automation system control panels for water, waste water, food processing, atomic energy, thermal energy, oil & gas and various other Industries / plants. SAT is ISO 9001:2015 as well as Conformité Européenne (CE) certified company.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management

The promoters, Mr. Parkash Jambur has vast experience of over 40 years and Mrs. Sucharitha Jambur possesses experience of over 15 years in this industry. The knowledge base of the promoters has helped SAT to establish healthy relations with customers and suppliers. Acuité believes that experienced management will help SAT to maintain its business profile over the medium term.

• Above average financial risk profile

The financial risk profile of SAT is marked by low gearing and healthy debt protection metrics. The net worth stood at Rs.7.91 crore as on 31 March, 2018 (Provisional) as against Rs.6.01 crore as on 31 March, 2017. The gearing stood at 0.26 times as on 31 March, 2018 (Provisional) as against 0.36 times as on 31 March, 2017. Total outside liabilities to tangible net worth (TOL/TNW) stood moderate at 0.99 times for both the years FY2018 (Provisional) as well as FY2017. Debt protection metrics are healthy with interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) of 17.37 times and 1.02 times respectively for FY2018 (Provisional). Acuité believes that SAT will maintain above average financial risk profile over the medium term supported by moderate accruals from operations and absence of major debt funded capex over the medium term.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Assets (GCA) days of 204 in FY2018 (Provisional) compared to 201 in FY2017. The high GCA days are on account of high debtors of 187 days in FY2018 (Provisional) as against 185 days in FY2017 as the company largely undertakes government projects. Even though debtors are stretched, the same have been compensated by creditors which stood at 139 days in FY2018 (Provisional) compared to 127 days in FY2017. However, company is managing its working capital cycle efficiently marked by 55 days for FY2018 (Provisional). The average cash credit utilisation for the past six months was ~51.67 percent.

- **Competitive and fragmented industry**

SAT operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers. However, in face of such competitive pressures, Acuité believes that SAT is well positioned on account of its longstanding relationship with well-established players in the infrastructure industry.

Outlook: Stable

Acuité believes that SAT will maintain a 'Stable' financial risk profile over the medium term backed by its experienced management and healthy debt protection metrics. The outlook may be revised to 'Positive' in case of higher-than-expected growth in operating income while maintaining its profitability margins. The outlook may be revised to 'Negative' in case of increased deterioration in liquidity position of the company most likely as a result of substantial increase in receivable collection period or in case of higher-than-expected leverage indicators.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	22.21	15.16	15.10
EBITDA	Rs. Cr.	2.87	1.85	1.68
PAT	Rs. Cr.	1.90	1.15	0.94
EBITDA Margin	(%)	12.94	12.23	11.15
PAT Margin	(%)	8.56	7.61	6.25
ROCE	(%)	31.83	24.04	25.18
Total Debt/Tangible Net Worth	Times	0.99	0.98	1.68
PBDIT/Interest	Times	17.37	18.00	11.32
Total Debt/PBDIT	Times	0.66	1.08	1.38
Gross Current Assets (Days)	Days	202	201	250

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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. Crore)	Ratings/Outlook
18-Oct-17	Cash Credit	Long term	2.00	ACUITE BB+/ Stable (Assigned)
	Bank Guarantee	Long term	3.00	ACUITE A4+ (Assigned)

	Letter of Credit	Long term	2.00	ACUITE 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	2.00	ACUITE BBB-/ Stable (Upgraded from ACUITE BB+/ Stable)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3 (Upgraded from ACUITE A4+/ Stable)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3 (Upgraded from ACUITE A4+/ Stable)

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About Acuité Ratings & Research:

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