

Press Release

Schnell Energy Equipments Private Limited (SEEPL)

12 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.80 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* 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**) to the above mentioned bank facilities of Schnell Energy Equipments Private Limited (SEEPL). The outlook is '**Stable**'.

The Coimbatore-based Schnell Energy Equipments Private Limited was incorporated in 2008 by Mr. Ganapathy Jaganathan and Mr. Jaganathan Nithin. The company is engaged in the manufacturing, erection and commissioning of control panels (C- Plate Control Panel and Starter Control Panels) and caters to the electrical industry.

Key rating drivers

Strengths

Experienced management

SEEPL was incorporated in 2008 by Mr. Ganapathy Jaganathan and Mr. Jaganathan Nithin. The management has experience of almost a decade in the electronic components industry.

Moderate revenue growth

SEEPL registered revenue of Rs. 34.21 crore in FY2017, Rs. 26.85 crore in FY2016 and Rs. 10.28 crore in FY2015. Further, the company registered revenue of ~Rs. 23.00 crore during April 2017 to November 2017. The operating margins stood at 7.66 percent in FY2017 as against 6.71 percent in FY2016 while the Profit after Tax (PAT) margins stood at 3.15 percent in FY2017 as against 2.68 percent in FY2016. SEEPL has unexecuted order book of Rs.30.00 crore as on November 2017 that provides revenue visibility in the near term.

Weaknesses

Below average financial risk profile marked by low net worth and high gearing

SEEPL has below average financial risk profile marked by tangible net worth of Rs. 2.86 crore as on 31 March, 2017 as against Rs. 1.32 crore as on 31 March, 2016. The gearing stood at 2.47 times as on 31 March, 2017 as against 4.10 times as on 31 March, 2016. The debt of Rs. 7.05 crore mainly consists of term loans of Rs. 3.19 crore and working capital borrowings of Rs. 3.87 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 3.41 times for FY2017 as

against 3.32 times in FY2016. The Debt Service Coverage Ratio (DSCR) declined to 0.77 times in FY2017 as against 2.63 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 5.80 times as on 31 March, 2017 as against 8.81 times as on 31 March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.18 times in FY2017 as against 0.17 times in FY2016. Going forward, SMERA expects the financial risk profile to improve marginally in the absence of debt funded capex in the near to medium term.

Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Asset (GCA) of 176 days in FY2017 as against 148 days in FY2016. The GCA days are mainly dominated by high debtor days of 171 in FY2017 and 121 in FY2016. The average cash credit utilisation for the past six months stood at ~90 percent. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Competitive and fragmented industry

SEEPL operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of SEEPL to arrive at the rating.

Outlook – Stable

SMERA believes that SEEPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue, profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	34.21	26.85	10.28
EBITDA	Rs. Cr.	2.62	1.80	0.49
PAT	Rs. Cr.	1.08	0.72	0.15
EBITDA Margin	(%)	7.66	6.71	4.72
PAT Margin	(%)	3.15	2.68	1.43
ROCE	(%)	28.85	36.80	21.62
Total Debt/Tangible Net Worth	Times	2.47	4.10	2.99
PBDIT/Interest	Times	3.41	3.32	4.96
Total Debt/PBDIT	Times	2.68	2.90	3.60
Gross Current Assets (Days)	Days	176	148	267

Any other information:

Not Applicable

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>

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

None

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. Crore)	Ratings/Outlook
Cash Credit*	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA B+/ Stable
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	2.90	SMERA B+/ Stable
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	2.90	SMERA A4

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in Avadhoot Mane, Rating Analyst, Tel: +91-22-6714 1138 Email: avadhoot.mane@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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