

Press Release

Cimechel Electric Co.

February 02, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 95.00 Cr.
Long Term Rating	SMERA BBB-/Stable
Short Term Rating	SMERA A3

Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA single A three**) to Rs. 75.00 crore bank facilities of Cimechel Electric Co. The outlook is '**Stable**'.

Cimechel Electric Co. (CEC) was established as a partnership firm in 1998 by Mr.Viren R Shah and Mrs. Jyoti V Shah. CEC is primarily engaged as an EPC contractor of overhead electrification projects for the Indian Railways. During FY15 and FY16, CEC had also done rural electrification under Deendayal Upadhyaya Gram Jyoti Yojana Scheme for Madhya Pradesh government. The firm caters to reputed clients-Central Railways, Western Railways, Maharashtra State Power Generation Co. Ltd., and Steel Authority of India. The firm procures its raw materials, i.e., steel, copper, transformers, insulators from a group of few specified suppliers as mentioned by the railways department.

Key rating drivers

Strengths

- Long track record of operations with experienced management:**

The firm has been in this line of business since 1998. Mr. V R Shah has around 38 years of experience in this line of business which has helped him in having long and standing relations with his clients. He has been associated with his family business named as "Cimechel Engineering" which was also engaged in overhead electrification.

- Diversified reputed client base with geographical diversification**

The firm caters to reputed clientele like Central Railways, Western Railways, Maharashtra State Power Generation Co. Ltd., and Steel Authority of India. –The firm has executed projects in eight states such as Gujarat, Maharashtra, West Bengal, Odisha, Madhya Pradesh, etc. The firm has already generated revenue of Rs. 87.13 crore during April to November 2017 (Provisional).

- Healthy financial risk profile**

The financial risk profile is marked by healthy net worth, comfortable gearing, comfortable debt protection measures and. The net worth stood at Rs 20.88 crore as on 31 March, 2017. The debt equity stood at 0.86 in FY2017 times as compared to 4.84 in FY2016. The interest coverage at 2.76 times in FY2017 as against 1.68 times in FY2016. The Net Cash Accruals to Total Debt (NCA/TD) stood at 0.19 times while Debt Service Coverage (DSCR) stood at 2.18 times as on March 31, 2017.

Weaknesses

- Working capital intensive nature of operation**

CEC's operations are working capital intensive which is evident from high gross current assets (GCA) days of 174 days during FY2017. This is due to high debtor days of 128 during FY2017. The high debtor days is mainly due to the nature of contractual payment structure from the client. However, the inventory level is low at around 11 days in FY2017.

• **Tender based business**

The nature of business is tender based and the firm faces intense competition in the industry. The firm's success ratio of winning the bids is to the tune of 30-40 per cent. The firm generates its entire revenue from railway projects.

Analytical approach:

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

Outlook – Stable

SMERA believes that CEC will maintain a stable outlook in the medium term on account of its management's long standing relationship with its reputed clients and also its healthy financial risk profile. The outlook may be revised to 'Positive' in case of improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile or further elongation in its working capital cycle.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	73.98	60.76	26.18
EBITDA	Rs. Cr.	6.01	3.21	3.46
PAT	Rs. Cr.	3.10	1.89	1.73
EBITDA Margin	(%)	8.13	5.29	13.21
PAT Margin	(%)	4.20	3.11	6.60
ROCE	(%)	21.34	15.12	27.16
Total Debt/Tangible Net Worth	Times	0.86	4.84	4.79
PBDIT/Interest	Times	2.76	1.68	1.71
Total Debt/PBDIT	Times	2.98	8.34	7.65
Gross Current Assets (Days)	Days	174	177	410

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

None

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA BBB-/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	SMERA A3
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A3
Proposed Fund Based	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB-/Stable
Proposed Non-Fund Based	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA A3

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ABOUT SMERA

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