

Press Release

Pace Electricals Private Limited

17 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 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 double B plus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 10.00 crore bank facilities of Pace Electricals Private Limited (PEPL). The outlook is 'Stable'.

Incorporated in 2005 by Mr. M.J. Harish- Pace Electricals Private Limited is a Bangalore based turnkey electrical contractor for medium and large industrial as well as commercial establishments. The company undertakes high tension / low tension electrical projects, installation of DG systems, fire detection alarm System (FDA) and CCTV. The company is an approved A- Grade license holder from the Chief Electrical Inspector of the Govt. of Karnataka.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

Incorporated in 2005 PECL has a track record of over a decade for undertaking turnkey electrical contracts. The company was promoted by Mr. MJ Harish who is having over two decades of experience in the same line of business since his association with group entities namely Pace Switchgear Private Limited and Pace communications.

Reputed Clientele

The company has a reputed client base where it executes orders for ABB India Limited, Bharti Airtel Limited, Sandisk India Device Design Centre Private Limited, Metro Cash & Carry India Private Limited to name a few. Over the years PEPL has executed orders from the reputed customers and obtained repeat orders from them.

Moderate order book position

PEPL has moderate order book position of Rs 40.62 crs as on 15.02.2018. The total order size was Rs 75.15 crs of which PEPL has executed orders of Rs 34.53 crs 15.02.2018. The orders are expected to be completed by next financial year.

Weaknesses

Modest scale of operation

The scale of operation is modest with revenue of Rs 25.77 crs in FY 17 as compare to Rs 22.97 crs in FY 16. During the current year till December'17 the company has achieved revenue of Rs 23.72 crs (provisional).

Moderate financial risk profile

PEPL has a moderate financial risk profile marked by net worth of Rs.1.78 crore as on March 31, 2017 compared to Rs.1.61 crore as on March 31, 2016. The gearing stood high at 2.02 times as on March 31, 2017 compared to 3.10 times as on March 31, 2016. Total debt of Rs.3.61 crore includes Rs.3.54 crore of short term working capital funds and Rs 0.07 crs of vehicle loans. The debt protection metrics is moderate marked by interest coverage ratio of 1.77 times and debt service coverage ratio (DSCR) of 1.63 times in FY2016-17.

Working capital intensive operation

The operations of PEPL are working capital intensive in nature marked by Gross current assets (GCA) days of 155 days in FY2016-17 compared to 178 days in FY2015-16. The high GCA days are on account of several contract being executed simultaneously and receipt of payment from parties within 30-60 days from billing. The company generally keeps inventory of 25-60 days on an average. The inventory stood at 28 days in FY 2016-17 as compare to 57 days in FY 2015-16. The debtors days stood at 78 in FY2016-17 compared to 64 days in FY2015-16. The average utilization of its bank limits during the last 9 month ended December'17 is 78 per cent.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of PEPL.

Outlook: Stable

SMERA believes that the outlook on PEPL will remain stable over the medium term on account of the management experience. The outlook may be revised to 'Positive' in case of its ability to increase its scale of operations and profitability and improvement in the financial risk profile. The outlook may be revised to 'Negative' in case the company fails to increase its scale of operations or deterioration in the profitability or any deterioration in the financial risk profile would lead to 'Negative' outlook.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	25.77	22.97	26.39
EBITDA	Rs. Cr.	0.97	1.04	1.19
PAT	Rs. Cr.	0.17	0.15	0.12
EBITDA Margin	(%)	3.78	4.54	4.51
PAT Margin	(%)	0.68	0.67	0.45
ROCE	(%)	12.25	12.27	31.30
Total Debt/Tangible Net Worth	Times	2.02	3.10	2.97
PBDIT/Interest	Times	1.77	1.77	1.78
Total Debt/PBDIT	Times	3.54	4.43	3.59
Gross Current Assets (Days)	Days	155	178	171

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Services Entities - <https://www.smerra.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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	Ratings/Outlook
ODBD	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB-/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4+

Contacts

Analytical	Rating Desk
Suman Chowdhury President – Smerra Bond Ratings Tel: 022-67141107 suman.chowdhury@smerra.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smerra.in
Aniruddha Dhar Rating Analyst Tel: 033-66201209 aniruddha.dhar@smerra.in	

ABOUT SMERA

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