

Press Release

Surya Electricals & Engineers Private Limited

08 May, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 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**) on the Rs. 20.00 crore bank facilities of Surya Electricals & Engineers Private Limited (SEEPL). The outlook is '**Stable**'.

Surya Electricals & Engineers Private Limited was established in 1976 as a proprietorship firm and converted to private limited in 2008. The Kolkata-based company is engaged in the manufacture of telecom towers. The company is also engaged in the fabrication of heavy structures such as columns, girders, truss, floor beam, insert plates among others and has installed capacity of 12,000 MT per annum. The company was promoted by the Kolkata-based Mr. Mimani and family.

Key Rating Drivers

Strengths

Experienced management

The company is led by Mr Sanjay Mimani and Mrs Surekha Mimani, directors with more than two decades of experience in the infrastructure and steel industry. The extensive experience of the directors has helped the company establish comfortable relations with suppliers and customers.

Growth in Revenue and comfortable order book

SEEPL registered Cumulative Annual Growth Rate (CAGR) of 42.24 per cent in the revenue of last two years ended 31st March'2017. Revenue increased to Rs. 91.65 crore in FY2017 from Rs 45.30 crore in FY2015 on account of the fabrication work undertaken for Indian Railways (wagons). The company has healthy order book position of ~ Rs 110 crore for manufacturing of telecom tower, fabrication of railway wagons and retrofit coaches for safety mechanism which lends revenue visibility for the medium term.

Weaknesses

Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Asset days of 188 in FY2017 as against 275 days in FY2016. The high GCA days are mainly on account of stretched receivable days of 96 in FY2017 compared to 152 in FY2016. The inventory days stood at 78 in FY2017 as against 100 in FY2016. The company has fully utilized its working capital limit of Rs 10.70 crore.

Moderate financial risk profile

The moderate financial risk profile is marked by modest net worth, moderate gearing and below average debt protection measures. The net worth stood at Rs 11.88 crore in FY2017 compared to Rs 11.36 crore in FY2016. The gearing (Debt equity) stood at 1.84 times in FY2017 compared to 1.35 times in FY2016. The debt protection metrics is below average marked by Interest Coverage ratio of 1.30 times in FY2017 as compared to 1.40 times in FY2016. Moreover, the NCA/TD stands low at 0.04 times in FY2017.

Outlook: Stable

SMERA believes that SEEPL will maintain a Stable outlook over the medium term owing to the promoters extensive experience in the said line of business. The outlook may be revised to 'Positive' if the company registers more than envisaged sales and profitability while improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving growth in revenue and the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

Analytical Approach: SMERA has considered a standalone view of the business and financial risk profile of SEEPL.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	91.65	52.68	45.30
EBITDA	Rs. Cr.	4.51	2.19	1.51
PAT	Rs. Cr.	0.41	0.17	0.11
EBITDA Margin	(%)	4.92	4.16	3.34
PAT Margin	(%)	0.45	0.33	0.25
ROCE	(%)	13.74	8.82	6.05
Total Debt/Tangible Net Worth	Times	1.84	1.35	0.60
PBDIT/Interest	Times	1.30	1.40	1.64
Total Debt/PBDIT	Times	4.77	6.51	4.00
Gross Current Assets (Days)	Days	188	275	186

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	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA B+/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4

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