

Press Release

Pluto Electrotech

June 22, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.50 Cr.
Long Term Rating	ACUITE B+ Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.6.50 crore bank facilities of Pluto Electrotech (PE). The outlook is '**Stable**'.

PE, established in 2006, is Wardha-based proprietorship concern promoted by Mr. Sachin Singhaniya. PE is engaged in undertaking electrical contracts for the government departments in Maharashtra. PE has Super Grade License from the Maharashtra State Government based on the quality of work done in the past and can apply for unlimited quantum of tender value.

Key Rating Drivers

Strengths

- **Established track record of operation and experienced promoter**

The concern undertakes electrical contracts for the government entities in the state of Maharashtra for more than one decade. PE is registered as Super Grade License contractor and can bid for unlimited quantum of tenders. The promoter, Mr. Sachin Singhaniya has around sixteen years of experience in the engineering, procurement and construction (EPC) contract business.

Weaknesses

- **Tender based nature of operations and geographical concentration**

PE reported operating income of Rs.11.13 crore for FY2018 (Provisional) as against Rs.21.27 crore in the previous year. The decline in revenue is mainly on account of the recall of tender by the government departments in July, 2017; the tenders were then reallocated in December, 2017. The order execution and revenue reporting is cyclical in nature due to tender based nature of operations and also same is dependent on the amount of tenders floated by the government departments during the year. It is also dependent on the completion of land acquisition by the government authorities for the project which can cause delays and slowdown in revenue booking for entities like PE.

- **Working capital intensive nature of operations**

The operations of the concern are working capital intensive in nature as same is reflected in Gross Current Assets (GCA) of around 241 days for FY2018 (Provisional) as against 144 days in the previous year. The stretched GCA days are on account of the stretched debtor days as same stood at 184 days for FY2018 (Provisional) as against 131 days in the previous year. However, the liquidity position of PE is comfortable as it maintains credit balance in the cash credit account during the last six months ended as on 30 April, 2018.

- **Proprietorship concern**

The constitution of the PE is of proprietorship concern and therefore it is exposed to the capital withdrawal risk.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the PE for arriving at the rating.

Outlook: Stable

Acuite believes that the outlook for PE will remain 'Stable' over the medium term on account of its established presence and extensive experience of the promoters in the electrical contract business. The outlook may be revised to 'Positive' if the concern registers significant and sustainable growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case the concern registers significant decline in revenues and cash accruals or the working capital cycle is stretched resulting in deterioration of its financial risk profile or liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	11.13	21.27	23.27
EBITDA	Rs. Cr.	0.82	0.88	0.66
PBT	Rs. Cr.	0.36	0.60	0.53
EBITDA Margin	(%)	7.36	4.14	2.85
PBT Margin	(%)	3.25	2.81	2.28
ROCE	(%)	11.86	18.42	17.73
Total Debt/Tangible Net Worth	Times	1.95	1.13	1.50
PBDIT/Interest	Times	1.90	2.66	3.07
Total Debt/PBDIT	Times	6.36	2.80	3.83
Gross Current Assets (Days)	Days	241	144	141

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

None

Any other information

None

Applicable Criteria

- Infrastructure Entities - <https://acuite.in/view-rating-criteria-14.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.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)

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	0.12	ACUITE B+ / Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.38	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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