

Press Release

Chhabhi Electricals Private Limited

June 26, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 16.00 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**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 16.00 crore bank facilities of Chhabhi Electricals Private Limited. The outlook is '**Stable**'.

The Jalgaon based, Chhabhi Electricals Private Limited (CEPL), was incorporated as a private limited company in 1978 after taking over the existing business of a proprietorship firm established in 1965. CEPL is promoted by Mr. Chhabiraj Rane. The company is engaged in manufacturing of electronic components like transformers, battery charger, modular DC systems and trading of batteries.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

CEPL was incorporated in 1978. The company is promoted by Mr. Chhabiraj Rane (Managing Director) who has over three decades of experience in the industry. The company has operations at Jalgaon (Maharashtra).

- **Reputed clientele**

CEPL caters to a reputed client base including Bharat Heavy Electricals Ltd, Indian Oil Corporation, Larsen and Toubro to name a few.

Weaknesses

- **Average financial risk profile**

The company has average financial risk profile marked by low net worth of Rs.4.34 crore as on 31 March, 2017 compared to Rs.4.16 crore as on 31 March, 2016. The gearing stood at 2.25 times as on 31 March, 2017 as against 2.44 times as on 31 March, 2016. The total debt of Rs.9.75 crore comprises term loan of Rs.0.01 crore from bank, working capital loan of Rs.8.43 crore and unsecured loan of Rs.1.31 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 1.27 times in FY2017 as against 0.75 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.26 times in FY2017 as against 0.77 times in the previous year.

- **Working capital intensive operations and stretched liquidity**

The operations of the company are working capital intensive evident from the Gross Current Asset (GCA) days of 275 in FY2017 and 308 in FY2016. This is mainly on account of stretched debtor days of 125 in FY2017 and 127 in FY2016. The inventory holding period is also high at 128 days in FY2017 and 151 days in FY2016. Further, the company has stretched liquidity profile as the average cash credit utilisation is 98.77 percent for the last six months ended February, 2018.

- **Competitive and fragmented industry**

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

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Chhabhi Electricals Private

Limited to arrive at the rating.

Outlook: Stable

Acuite believes that CEPL will maintain a 'Stable' outlook over the medium term on the back of the extensive experience of the promoter. The outlook may be revised to 'Positive' in case of improvement in the financial risk profile, coverage indicators and apt working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management and deterioration in the capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	21.78	18.58	20.19
EBITDA	Rs. Cr.	1.86	1.15	2.23
PAT	Rs. Cr.	0.13	-0.81	0.07
EBITDA Margin	(%)	8.53	6.21	11.04
PAT Margin	(%)	0.61	-4.38	0.32
ROCE	(%)	11.68	5.43	25.47
Total Debt/Tangible Net Worth	Times	2.25	2.44	2.39
PBDIT/Interest	Times	1.27	0.75	1.20
Total Debt/PBDIT	Times	4.98	7.81	4.70
Gross Current Assets (Days)	Days	275	308	303

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4
Proposed	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4

Cash Credit includes sublimit of packing credit and FDBP/FUDBP to the extent of Rs.0.50 crore each.

Contacts

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About Acuité Ratings & Research:

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