

Press Release

Chhabi Electricals Private Limited

February 15, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.50	ACUITE B Stable Reaffirmed	-
Bank Loan Ratings	10.50	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	16.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B**' (read as **ACUITE B**) and the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 16.00 crore bank facilities of Chhabi Electricals Private Limited (CEPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation consider the comforts drawn from improving profitability margins and experience of management. CEPL's financial risk profile continues to remain moderate. Acuite expects the business profile and scale of operations is likely to improve over the medium term. However, the rating remains constrained on account of intensive working capital operations, modest and declining scale of operations and stretched liquidity position.

About the Company

Chhabi Electricals Private Limited (CEPL) is a Jalgaon-based company incorporated in 1978 to take over the existing business of a proprietorship firm established in 1965. It is promoted by Mr. Chhabiraj Rane, who possesses three decades of experience in the industry. The company is engaged in manufacturing of electronic components such as transformers, battery charger, modular DC systems, etc. and trading of batteries.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and established track record of operations

Chhabi Electricals Private Limited (CEPL) is a Jalgaon-based company incorporated in 1978. Mr. Chhabiraj Rane, who has been engaged in the same industry for more than three decades, promotes CEPL. The senior management team is ably supported by a strong line of mid-level managers. The extensive experience of the promoters is reflected through its

established relationship with customers and suppliers. The key customers/suppliers of the company include reputed names such as National Thermal Power Corporation (NTPC), Bharat Heavy Electricals Limited (BHEL), and Larsen & Toubro Limited, among others with a major concentration in revenue.

Acuité believes that CEPL will be benefitted by the extensive experience of the promoters and strong relationship with its customer and suppliers in the medium term.

Weaknesses

Moderate financial risk profile

The financial risk profile of the company stood moderate marked by low net worth, moderate gearing and, moderate debt protection metrics. The tangible net worth stood at Rs.5.01 crore as on March 31, 2021 as against Rs.4.61 crore as on March 31, 2020. The total debt of the company stood at Rs.9.29 crore includes Rs.2.18 crore of long term debt, Rs.1.68 crore of unsecured loans and Rs.5.49 crore of short term debt as on March 31, 2021. The gearing (debt-equity) stood at 1.86 times as on March 31, 2021 as compared to 2.18 times as on March 31, 2020. Interest Coverage Ratio stood at 1.43 times for FY2021 as against 1.18 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.44 times for FY2021 as against 1.18 times for FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.75 times as on March 31, 2021 as against 5.53 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.07 times for FY2021 as against 0.03 times for FY2020.

Acuité believes that the financial risk profile of the company will continue to remain moderate over the medium term.

Intensive working capital operations

The company has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 423 days in FY2021 as against 661 days in FY2020. The receivable days stood at 204 days in FY2021 as against 442 days in FY2020. The inventory days stood at 231 days in FY2021 as against 215 days in FY2020. The average bank limit utilization stood high at around 98 percent for the last 7 months ended December 2021.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

Modest scale of operation

The company is operating from the last four decades and the revenues of the firm are modest and experiencing a declining revenue trend. The revenue registered in FY2019 was Rs.20.84 as against Rs.14.62 crore in FY2020 and Rs.13.05 in FY2021. Further, the firm reported revenue of Rs.11.00 crore till December, 2021. The ability of the firm to improve its scale going forward will remain a key rating sensitivity.

Rating Sensitivities

- Improvement in the scale of operations along with stable profitability margins.
- Stretch in the working capital management leading to any negative impact on the liquidity profile.

Material covenants

None.

Liquidity Position: Stretched

The company has stretched liquidity marked by high bank limit utilisation and intensive working capital operations. The company's working capital operation stood intensive marked by GCA days of 423 days in FY2021 as against 661 days in FY2020. The current ratio of the company stood at 1.63 times as on March 31, 2021. The average bank limit utilization stood high at around 98 percent for the last 7 months ended December 2021. However, the company generated cash accruals of Rs.0.25-0.70 crore during the last three years through 2019-21, as against no maturing debt obligation during the same period.

Outlook: Stable

Acuité believes that CEPL will maintain a 'Stable' outlook over the medium term on account of experienced management. The outlook may be revised to 'Positive' in case of a significant improvement in revenues while maintaining the profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile caused by losses leading to decrease in networth or elongated working capital cycle leading to further stretch in its liquidity.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	13.05	14.62
PAT	Rs. Cr.	0.49	0.10
PAT Margin	(%)	3.79	0.72
Total Debt/Tangible Net Worth	Times	1.86	2.18
PBDIT/Interest	Times	1.43	1.18

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

Not Applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Nov 2020	Proposed Bank Facility	Short Term	0.50	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	3.50	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE B Stable (Reaffirmed)
27 Aug 2019	Cash Credit	Long Term	8.00	ACUITE B Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Short Term	0.50	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	3.50	ACUITE A4 (Reaffirmed)
	Proposed Bank Facility	Short term	0.50	ACUITE A4 (Issuer not co-operating*)

29 Jul 2019	Letter of Credit	Short term	3.50	ACUITE A4 (Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE B (Issuer not co-operating*)
	Bank Guarantee	Short term	4.00	ACUITE A4 (Issuer not co-operating*)
26 Jun 2018	Cash Credit	Long Term	8.00	ACUITE B Stable (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	3.50	ACUITE A4 (Assigned)
	Proposed Bank Facility	Short Term	0.50	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.75	ACUITE A4 Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE B Stable Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	5.75	ACUITE A4 Reaffirmed

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About Acuité Ratings & Research

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