

## Press Release

Sunshine Electric Co. Private Limited

October 23, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs.6.20 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.6.20 crore bank facilities of Sunshine Electric Co. Private Limited (SECPL). The outlook is '**Stable**'.

Incorporated in 2005, the Goa-based SECPL is engaged in undertaking turnkey EPC contracts such as Supply, Erection, and Testing & Commissioning of Substations up to 33KV, Internal / External electrification work, Transformers, HT/LT Panels, Overhead transmission lines, cabling, lighting. The company is promoted by Mr. Sadanand Verekar, Ms. Prajwala Verekar and Mr. Shravan Verenkar. The company majorly caters to Goa Electricity Department.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SECPL to arrive at this rating.

### Key Rating Drivers

#### Strengths

- **Experienced management and reputed clientele**

The promoters of the company have experience of more than two decades in aforementioned line of business. The company has been undertaking EPC contracts for PSUs such as Goa Electricity Department, Public Works Department (Goa), among others. SECPL's longstanding presence has supported in winning repeat orders from its clientele. The company has unexecuted order book position of about Rs.10.00 crore for services (erection and commissioning). Acuité believes that SECPL will continue to leverage the promoters' longstanding relations with customers to achieve sustainable growth in its operating income.

- **Improving profitability backed by healthy order book position**

The revenues improved to Rs.10.00 crore in FY2018 (Provisional) from Rs.5.92 crore in FY2017. The PAT margins improved to 14.13 percent in FY2018 (Provisional) from 9.06 percent in FY2017. Further, the company expects the revenue of ~Rs.12.00 crore in FY2019 which gives revenue visibility over the medium term.

#### Weaknesses

- **Below average financial risk profile**

SECPL has below average financial risk profile marked by low net worth of Rs.2.33 crore as on March 31, 2018 (Provisional) as against Rs.1.53 crore as on March 31, 2017. The gearing of SECPL is moderate at 1.24 times as on March 31, 2018 (Provisional) compared to 1.63 times as on March 31, 2017. The total debt of Rs.2.90 crore includes term loan of Rs.0.31 crore, working capital funds of Rs.2.20 crore and unsecured loans from promoters of Rs.0.40 crore. Interest Coverage Ratio (ICR) stood at 4.26 times for FY2018 (Provisional) as against 1.16 times for FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 1.74 times as on 31 March, 2018 (Provisional).

#### • Working capital intensive operations

SECPL's operations are working capital intensive marked by high Gross Current Assets (GCA) of 128 days in FY2018 (Provisional) compared to 122 days in FY2017. The GCA days are mainly dominated by high debtor days of 76 days in FY2018 (Provisional) compared to 76 days in FY2017. The average cash credit utilisation for the past six months stood at ~100.00 percent. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

#### • Competitive and fragmented industry

The company is engaged in undertaking turnkey EPC contracts. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount on bidding of contracts. However, this risk is mitigated to an extent on account of extensive experience of the management.

#### Outlook: Stable

Acuite believes that the outlook on SECPL's facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience and established operational track record. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	10.00	5.92	6.60
EBITDA	Rs. Cr.	1.41	0.54	0.69
PAT	Rs. Cr.	0.80	(0.10)	0.26
EBITDA Margin	(%)	14.13	9.06	10.42
PAT Margin	(%)	8.04	(1.69)	3.87
ROCE	(%)	30.32	7.57	15.32
Total Debt/Tangible Net Worth	Times	1.24	1.63	1.67
PBDIT/Interest	Times	4.26	1.16	2.47
Total Debt/PBDIT	Times	1.94	6.16	3.53
Gross Current Assets (Days)	Days	128	122	96

#### Any other information

Not Applicable

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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	2.20	ACUITE B/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B/ Stable A4 (Assigned)

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**About Acuité Ratings & Research:**

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