

## Press Release

### Supreme Power Equipment Private Limited

March 31, 2023



### Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.00	ACUITE B+   Reaffirmed & Withdrawn	-
Bank Loan Ratings	15.00	-	ACUITE A4   Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	19.00	-	-

### Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE B+**' (read as **ACUITE B Plus**) and the short-term rating of '**ACUITE A4**' (read as **ACUITE A Four**) on the Rs. 19.00 crore bank facilities of Supreme Power Equipment Private Limited (SPEPL). The rating has been withdrawn on Acuite's policy of withdrawal of ratings. The rating has been withdrawn on account of the request received from the company, and the NOC received from the banker.

### Rationale for the reaffirmation

The rating reaffirmation takes into account the improvement in the operating income of the company, The rating also draws comfort from the experienced promoter and the company's long track record in the industry. These strengths are, however, offset by the working capital intensive in nature of operations along with the average financial risk profile.

### About the Company

Incorporated in 2005, Supreme Power Equipment Private Limited (SPEPL) is engaged in the business of manufacturing of power and distribution transformers, windmill transformers and various special application transformers. Its customer profile includes Tamil Nadu Generation and Distribution Corporation Ltd (TANGEDCO) and Tamil Nadu Transmission Corporation Ltd (TANTRANSCO), Vestas Wind Technology India Private Limited, Siemens Gamesa Renewable Power Private Limited among others; its manufacturing facility is located near Chennai (Tamil Nadu). The company is promoted by Mr. Vee Rajmohan and Mr. K V Pradeep, who have been in the business of transformer manufacturing since 2000. SPEL is an ISO 9001: 2008 certified company.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SPEPL to arrive at the rating.

### Key Rating Drivers

## **Strengths**

### **Established track record of operations and experienced management.**

SPEPL was established in 2005 and has been involved in the business of manufacturing transformers. The promoters of SPEPL Mr. Vee Rajmohan and Mr. K V Pradeep, have two decades of experience in the transformer industry helped the firm to establish relationships with several suppliers and customers as is demonstrated by repeat business orders from its clientele including Tamil Nadu Electricity Boards (TANGEDCO and TANTRANSCO), Confidence Electrical Company, Oman Transformer & Switchgear LLC, Siemens Gamesa Renewable Power Private Limited and among others.

### **Increase in revenues along with profitability margins.**

The company's operational income amounted at Rs. 46.60 Cr. as of March 31, 2022, as compared to Rs. 35.35 Cr. as of March 31, 2021. Also, as of March 31st, 2022, the company's operating margin stood at 7.43 percent from 7.82 percent the previous year. On March 31, 2022, the PAT margin increased to 1.11 percent from 0.95 percent in 2021. As of March 31, 2022, the company's RoCE was 25.55 percent, compared to 22.71 percent as of March 31, 2021.

## **Weaknesses**

### **Working capital intensive nature of operations**

The working capital-intensive nature of operations of the company is marked by high Gross Current Asset days (GCA) of 226 as on 31<sup>st</sup> March 2022 as compared to 301 days of 31<sup>st</sup> March 2021 due to significantly changes in high other current asset which consists of other deposit, prepaid expenses material on loans etc. However, the debtor days stood comfortable at 140 days as on 31<sup>st</sup> March 2022 as compared to 161 days as on 31<sup>st</sup> March 2021. The inventory period stood relatively low at 83 days as on 31<sup>st</sup> March 2022 as compared to 93 days 31<sup>st</sup> March 2021 respectively. Acuité believes that the working capital management of SPEPL's will remain intensive given the nature of the industry.

### **Rating Sensitivities**

None

### **Material covenants**

None

### **Liquidity Position: Adequate**

The company's liquidity position is adequate marked by net cash accruals of Rs.0.83 Cr as on 31<sup>st</sup> March 2022 as against Rs. 2.57 Cr. long-term debt repayment during the same period. The current ratio stood at 1.31 times as on 31<sup>st</sup> March 2022, as compared to 1.21 times as on 31<sup>st</sup> March 2021. The cash and bank balances stood at Rs. 0.34 Cr. 31<sup>st</sup> March 2022. However, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 226 days as on 31<sup>st</sup> March 2022 as compared to 301 days as on 31<sup>st</sup> March 2021, due to high other current asset which signifies FD's and interest receivables. Acuité believes that going forward the liquidity position of the company will remain adequate due to the improving net cash accruals.

### **Outlook: Not Applicable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	46.60	35.35
PAT	Rs. Cr.	0.52	0.34
PAT Margin	(%)	1.11	0.95
Total Debt/Tangible Net Worth	Times	0.88	0.73
PBDIT/Interest	Times	1.40	1.38

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

None

### 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jun 2022	Letter of Credit	Short Term	7.00	ACUITE A4 ( Issuer not co-operating*)
	Bank Guarantee	Short Term	8.00	ACUITE A4 ( Issuer not co-operating*)
	Cash Credit	Long Term	4.00	ACUITE B+ ( Issuer not co-operating*)
31 Mar 2021	Letter of Credit	Short Term	8.00	ACUITE A4 (Issuer not co-operating*)
	Cash Credit	Long Term	4.00	ACUITE B+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	7.00	ACUITE A4 (Issuer not co-operating*)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A4   Reaffirmed & Withdrawn
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE B+   Reaffirmed & Withdrawn
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A4   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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