

Press Release

N Swarna Electrical and Contractors

September 03, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.21.50 Cr.
Long Term Rating	ACUITE BB-/Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.21.50 Cr bank facilities of N Swarna Electrical and Contractors. The outlook is '**Stable**'.

Established in 2000, N Swarna Electrical and Contractors (NSEC) is a proprietorship firm, promoted by Ms. N Swarna. The firm is engaged in civil works related to irrigation and electrical works for the state government of Telangana.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of NSEC to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management and healthy order book position**

The proprietor of N Swarna Electrical and Contractors, Ms. N Swarna has been in the industry for two decades. Acuité derives comfort from the long experience of the proprietor in the irrigation and electrical works. In addition to this, the firm has a healthy order book position as on 30th June, 2020 to the tune of Rs.215 crores. Acuité believes that the healthy order book position of the firm provides comfortable revenue visibility over the medium term.

- Healthy financial risk profile**

The firm's healthy financial risk profile is marked by modest networth, comfortable gearing and strong debt protection metrics. The tangible net worth of the firm improved to Rs.11.92 Cr as on March 31, 2020 (provisional) from Rs.9.56 Cr as on March 31, 2019 due to accretion to reserves. Gearing of the firm stood low at 0.57 times as on March 31, 2020 (provisional) as against 0.79 times as on March 31, 2019. The debt of Rs.6.74 Cr consists of an unsecured loan of Rs.3.11 Cr, working capital borrowing from the bank of Rs.2.42 Cr, long term debt of Rs. 0.96 Cr and current maturities against long term obligations of Rs.0.24 Cr as on March 31, 2020 (provisional). The strong debt protection metrics of the firm is marked by Interest Coverage Ratio at 16.66 times as on March 31, 2020 (provisional) and Debt Service Coverage Ratio at 7.89 times as on March 31, 2020 (provisional). Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.50 times as on March 31, 2020 (provisional). Acuité believes that going forward the financial risk profile of the firm will remain strong backed by steady accruals and no major debt-funded capex plans.

Weakness

- Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by Gross Current Assets (GCA) of 578 days in 31st March 2020 (provisional) as compared to 123 days in 31st March 2019. The high level of GCA days is due to high inventory holdings, which stood at 484 days in 31st March 2020 (provisional) as compared to 20 days as on 31st March 2019. The elongation of inventory days is on account of the halt in the billing process, which

resulted due to nationwide lockdown in the last week of March, 2020. The debtor period stood at 66 days in 31st March 2020 (provisional) as compared to 39 days in 31st March 2019. However, Acuité believes that the operations of the firm would remain working capital intensive since it is in the infrastructure industry, which is inherently working capital intensive.

- **Geographical concentration**

The firm derives its entire revenues from the state of Telangana. The firm's ability to work in other states would be a key business monitorable.

Rating Sensitivity

- Growth in the scale of operations while maintaining profitability margins
- Maintaining the capital structure

Material Covenant

None

Liquidity Profile: Adequate

The firm's liquidity is adequate, marked by the net cash accruals stood at Rs.3.28 Cr on March 31, 2020 (provisional) as against maturing debt obligations of only Rs.0.24 Cr, during the same period. The current ratio stood healthy at 1.44 times as on March 31, 2020 (provisional) as compared to 2.36 times as on March 31, 2019. The fund based limit remains utilised at 96 per cent over the twelve months ended May, 2020. The firm has availed loan moratorium and availed additional COVID loan of Rs. 0.24 Cr. The cash and bank balances of the firm stood at Rs.0.07 Cr as on March 31, 2020 (provisional) as compared to Rs.3.02 Cr as on March 31, 2019. However, the working capital intensive nature of operations is marked by high Gross Current Assets (GCA) of 578 days in 31st March 2020 (provisional) as compared to 123 days in 31st March 2019. Acuité believes that going forward, the firm will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes the outlook on N Swarna Electrical and Contractors will remain stable over the medium term backed by experience of the proprietor and healthy order book position. The outlook may be revised to 'Positive' in case the firm registers healthy growth in revenues while achieving sustained improvement in operating margins, and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile and liquidity position or delay in completion of its projects or further deterioration in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	22.32	54.99
PAT	Rs. Cr.	3.04	2.65
PAT Margin	(%)	13.63	4.82
Total Debt/Tangible Net Worth	Times	0.57	0.79
PBDIT/Interest	Times	16.66	7.69

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-Jun-2019	Overdraft	Long Term	1.50	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	12.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	7.50	ACUITE A4+ (Assigned)
20-May-2019	Overdraft	Long Term	1.50	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short Term	12.50	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research

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