

Press Release

N Swarna Electrical and Contractors

December 02, 2021

Rating Assigned and Reaffirmed



Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	21.00	21.00	-	ACUITE A4+ Reaffirmed
Bank Loan Ratings	1.25	1.25	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	2.42	2.42	ACUITE BB- Stable Reaffirmed	-
Total	24.67	24.67	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) and short-term rating of **ACUITE A4+** (read as **A four plus**) to the Rs.24.67 Cr bank facilities of N Swarna Electricals and Conductors (NSEC). The outlook is '**Stable**'.

The rating on NSEC takes cognizance of the long-standing experience of the partners and healthy terms with suppliers and customers of the firm. These strengths are, however, constrained by the average business risk profile, working capital intensity in its operations and competitive and geographical concentration risk.

About the Company

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. It is also planning to set up electrical units in Chattisgarh and some parts of Uttarakhand

Analytical Approach

Acuite 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 moderate Order book Position**

The proprietor of N Swarna Electrical and Contractors, Ms. N Swarna has been in the industry for two decades. Acuite derives comfort from the long experience of the proprietor in the irrigation and electrical works. In addition to this, the firm has a moderate order book position as on 31st October 2021 to the tune of Rs.48.43 crores. Acuite believes that the healthy order book position of the firm provides comfortable revenue visibility over the medium term.

- **Moderate Financial Risk Profile**

- The firm's modest financial risk profile is marked by modest net worth, comfortable gearing and strong debt protection metrics. The tangible net worth of the firm improved to Rs.13.98 Cr as on March 31, 2021 (provisional) from Rs.10.41 Cr as on March 31, 2020,

due to accretion to reserves. Gearing of the firm stood low at 0.79 times as on March 31, 2021 (provisional) as against 0.85 times as on March 31, 2020. The debt of Rs.11.10 Cr as on March 31, 2021 (provisional) consists of an unsecured loan of Rs.5.25 Cr, long term

debt of Rs. 4.14 Cr and short-term debt of Rs 1.70 Cr. The strong debt protection metrics of the firm is marked by Interest Coverage Ratio at 9.72 times as on March 31, 2021 (provisional) and Debt Service Coverage Ratio at 9.72 times as on March 31, 2021 (provisional). Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.38 times as on March 31, 2021 (provisional). Acuité believes that going forward the financial risk profile of the firm will remain above average backed by steady accruals and no major debt-funded capex plans.

Weaknesses

- **Working capital intensive nature of operations**

The working capital-intensive nature of operations of the firm is marked by high Gross Current Asset Days of 232 days as on March 31, 2021 (provisional) as against 315 days as on March 31, 2020. The high GCA days are mainly on account of high debtor's days of 54 days as on March 31, 2021 (prov) as against 112 days as on March 31, 2020. However, the inventory days stood high at 180 days as on March 31, 2021 (provisional) as against 195 days as on March 31, 2020. Going forward, Acuité believes that the working capital management of the firm will remain at similar levels as evident from the high debtor level over the medium term.

- **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.

Liquidity Position: Adequate

The firm's liquidity is adequate marked by cash accruals of Rs.4.18 crore as compared to NIL maturing debt obligation over the same period. The fund-based limit remains fully utilised over the twelve months ended October 2021. The current ratio of the firm stands moderate at 2.97 times as on March 31, 2021 (prov). Further, the working capital intensive nature of the operation of the firm is marked by high Gross Current Asset days of 232 days as on March 31, 2021 (provisional) as against 315 days as on March 31, 2020. The firm has cash and bank balances of Rs.0.04 crore as on March 31, 2021 (prov). Acuité believes that going forward the liquidity is likely to remain at same level due to high debt obligations and high utilization of fund-based bank facilities.

Rating Sensitivities

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

Material covenants

None.

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

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	45.09	24.39
PAT	Rs. Cr.	3.80	1.54
PAT Margin	(%)	8.42	6.31
Total Debt/Tangible Net Worth	Times	0.79	0.85
PBDIT/Interest	Times	9.72	3.38

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

Not Applicable.

Any other information

Not Applicable.

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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
03 Sep 2020	Bank Guarantee	Short Term	12.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	7.50	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	1.50	ACUITE BB- Stable (Reaffirmed)
13 Jun 2019	Bank Guarantee	Short Term	7.50	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	12.50	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	1.50	ACUITE BB- Stable (Reaffirmed)
20 May 2019	Bank Guarantee	Short Term	12.50	ACUITE A4+ (Assigned)
	Secured Overdraft	Long Term	1.50	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.00	13.50	ACUITE A4+ Reaffirmed
Indian Overseas Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.00	7.50	ACUITE A4+ Reaffirmed
Indian Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	0.00	2.42	ACUITE BB- Stable Reaffirmed
Indian Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not Applicable	Not Applicable	Not Applicable	0.00	1.25	ACUITE BB- Stable Assigned

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About Acuité Ratings & Research

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