

Press Release

Sharavathy Conductors Private Limited

August 03, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs.104.45 Cr.
Long Term Rating	ACUITE BB (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and the short-term rating to '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.104.45 Cr bank facilities of Sharavathy Conductors Private Limited (SCPL).

The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from company and No Objection Certificate (NOC) received from banker.

About the Company

Bangalore-based SCPL was incorporated in 1967 by late Mr. S.D. Patel and his wife Mrs. Anita S. Patel. Currently the company is headed by Mr. Kashyap Patel, Mr. Prashant Patel, Mr. Kaardam Patel and Mr. Ramesh Patel. The company is engaged in manufacturing of electrical conductors through two of its manufacturing units in Bangalore. The company is also engaged as an Engineering, Procurement, Construction (EPC) contractor wherein the scope of work includes design, testing of towers and other equipment required for the construction of transmission lines and sub-stations and the construction activities ranging from survey, civil works, and erection to stringing and commissioning of equipment's.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

SCPL is headed by Mr. Kaardam Patel, Mr. Ramesh Patel, Mr. Kashyap Patel and Mr. Prashant Patel who are all seasoned professionals in the electrical industry, each having an experience of over two decades. The company has an established track record with over five decades of presence in execution of projects. the company's clientele includes Karnataka Power Transmission Corporation Limited (KPTCL), Bharat heavy electricals limited (BHEL), National thermal power cooperation (NTPC) and Larson and Toubro (L&T) to name a few along with various state electricity boards. The company has been awarded "Udyog Patra" by the Government of India for its performance in the sector which is backed by established track record of operations and the management's experience. The company has achieved a turnover of Rs.49.47 crore for FY2021 and Rs.24.43 crore for Q1FY2022.

- **Moderate financial risk profile**

SCPL's financial risk profile is moderate marked by improving gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW) and moderate debt protection metrics. The gearing stood at 0.02 times as on March 31, 2020 against 0.10 times as on March 31, 2019. TOL/TNW stood at 0.36 times as on March 31, 2020 against 0.73 times as on March 31, 2019. Tangible net worth of the company stood modest at Rs.60.66 crore as on March 31, 2020 against Rs.54.92 crore as on March 31, 2019. The total debt of Rs.1.51 crore as on March 31, 2020 mainly consists of long-term debt of Rs.0.26 crore and short-term debt of Rs.1.25 crore. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) stood moderate at 6.53 times and 4.69 times respectively in FY2020, while DSCR stood at 4.95 times in FY2020.

Weaknesses

• Working capital intensive operations

SCPL's working capital operations are intensive marked by Gross Current Asset days (GCA) of 315 days in FY2020 against 351 days in FY2019. The inventory days were recorded at 54 days in FY2020 against 46 days in FY2019. The inventory holding policy followed by the company is 60 days to cater to spot orders. The debtors' days were recorded at 236 days in FY2020 against 271 days in FY2019. 10% performance BG is issued at the start of the project. The company receives payment in parts depending upon the progress of the work. 10% is the retention money which is received after the completion of the project. The company enjoys a credit period of 1 to 2 months from its suppliers and the suppliers are LC backed. Sometimes, if the credit period is extended then the company has to bear interest on their part. However, working capital bank lines remains utilized at ~54.91 percent for last trailing nine months ended June, 2021.

• Highly competitive and fragmented industry with tender based nature of business for electrical construction works

SCPL operates in highly competitive and fragmented industry with presence of several players and tender based nature of business. Winning of the contracts in tender-based model is subject to various parameters including importance of the project for the principal to ensure timely and regular payments. SCPL is into mid-size projects, wherein the competition is moderate vis-à-vis high or low value projects. However, the risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts, and susceptibility to inherent cyclical in the works. Any event such as a significant slowdown in receipt of orders, deferment of projects by the counterparty or delay in realization of receivables will have a bearing on the operating cash flows and credit profile of the firm.

Rating Sensitivities

Not Applicable

Material Covenants

None

Liquidity: Adequate

SCPL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.7.08 crore-Rs.14.65 crore during the last three years through FY2018-20 against moderate repayment obligations in the range of Rs.0.09 crore-Rs.0.61 crore. Unencumbered cash and bank balances stood at Rs.0.45 crore as on March 31, 2020 with a current ratio of 3.58 times in the same period. Liquid investments stood at Rs.8.71 crore as on March 31, 2020. The working capital limits remains utilized at ~54.91 percent for last trailing nine months ended June, 2021. The company has not availed any covid loans / covid moratorium.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	70.59	77.40
PAT	Rs. Cr.	5.75	9.79
PAT Margin	(%)	8.14	12.65
Total Debt/Tangible Net Worth	Times	0.02	0.10
PBDIT/Interest	Times	6.53	8.85

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Service Entities- <https://www.acuite.in/view-rating-criteria-50.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
14-Jun-2021	Cash Credit	Long Term	10.45	ACUITE BB (Indicative)
	Bank Guarantee	Short Term	37.00	ACUITE A4+ (Indicative)
	Letter of Credit	Short Term	40.00	ACUITE A4+ (Indicative)
	Proposed Short Term Loan	Short Term	17.00	ACUITE A4+ (Indicative)
05-May-2020	Cash Credit	Long Term	10.45	ACUITE BB/ Stable (Assigned)
	Bank Guarantee	Short Term	37.00	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	40.00	ACUITE A4+ (Assigned)
	Proposed Short Term Loan	Short Term	17.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.45	ACUITE BB (Withdrawn)
State Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	37.00 [^]	ACUITE A4+ (Withdrawn)
State Bank of India	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	40.00 [^]	ACUITE A4+ (Withdrawn)
Not Applicable	Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A4+ (Withdrawn)

[^]Two way interchangeability from BG to LC limits approved to the extent of Rs. 10 crore.

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,815 credit 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 Mumbai.

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