

Press Release

Svasca Industries India Limited

November 02, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs.38.00Cr.
Long Term Rating	ACUITE BB/ Outlook:Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and the short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.38.00 crore bank facilities of Svasca Industries India Limited (SIIL). The outlook is '**Stable**'.

Incorporated in the year 1997, SIIL is a Delhi based Company. The Company is promoted by Mr. Siddharth Tayal, Mr. Aditya Tayal and Mrs. Tripti Tayal. The Company is engaged in the manufacturing and testing of Power and Distribution transformers. The company has two manufacturing units located one at Rudrapur, Uttarakhand and the other at Palwal, Haryana with an annual production capacity of more than 18000 transformers.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

SIIL was incorporated in the year 1997. The promoters of the Company have been associated with the Company since its inception and have an experience of more than three decades in the aforementioned industry through entities like Tayal Strips Private Limited. The extensive experience of the promoters has helped the Company to maintain a healthy relationship with its customers and suppliers. The Company operates in Pan India and majorly deals with the State Government Electricity Boards and also with some private entities. The revenue of the Company has increased by around 19.18 percent to Rs.79.91Cr (Prov.) in FY2020 from Rs.67.05Cr in FY2019.

Acuité believes that the Company will benefit from the extensive experience of the promoters, along with a healthy relationship with its customer and suppliers.

- **Healthy Order Book Position**

The Company has an unexecuted order book of Rs.143.13crore as on September 2020 which gives revenue visibility over the medium term. Moreover, the Company has already registered revenue of around Rs.40.00Cr (Est.) for the period April - September, 2020.

Weaknesses

- **Working capital intensive nature of operations**

SIIL's working capital operation is intensive in nature. However, it has improved in FY2020 as against FY2019 and it is reflected by its gross current asset (GCA) days of around 231 days (Prov.) in FY2020 as against 266 days in FY2019. The inventory holding period has increased to 43 days (Prov.) as on 31 March, 2020 as against 31 days as on 31 March, 2019. This is because the company was unable to dispatch the finished product even though the inspection of the product was done during the month of March, 2020 due to the logistical issues faced by the company in the view of Covid-19

pandemic. Since the company deals with State Government Electricity Boards, this leads to longer payment collection period. However, the debtor collection period of SIIl has improved to 131 days (Prov.) as on March 31, 2020 as against 183 days as on March 31, 2019. Longer payment term has resulted in accumulated receivables of Rs.34.06Cr (Prov.) as on March 31, 2020. This risk can be mitigated since the accumulated receivables are majorly from the State Government Electricity Boards. On the other hand, the Company has a credit payment period of 154 days (Prov.) as on March 31, 2020 as against 172 days as on March 31, 2019. The average bank limit utilization stood high at around 90.60 percent for six months ended September, 2020, while its peak utilization was high at around 99.50 percent during the same period. Acuité expects the working capital management to remain intensive over the medium term on account of stretched receivables.

• Competitive and fragmented industry

The Company is engaged as the manufacturer of the transformers. The particular sector is marked by the presence of several mid to big size players. The Company faces competition from the other players in this sector, which can impact its profitability and operations going forward. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts. However, this risk is mitigated to an extent on account of extensive experience of the promoters.

Liquidity Position: Adequate

The Company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The Company generated cash accruals of Rs.1.77Cr (Prov.) in FY2020 as against maturing debt obligation of Rs.0.04Cr during the same period. The cash accrual of the Company is estimated to remain around Rs.2.02Cr to Rs.3.11Cr during 2021-23 against repayment obligations of around Rs.0.08Cr to Rs.0.23Cr during the same period. The company's working capital operations is intensive; however, it has improved in FY2020 marked by the gross current asset (GCA) days of 231 days (Prov.) in FY2020 as against 266 days in FY2019. The average bank limit utilization stood high at around 90.60 per cent for six months ended September, 2020. The Company maintains unencumbered cash and bank balances of Rs.0.24cr (Prov.) as on 31 March 2020. The current ratio of the company has improved to 1.30 times (Prov.) as on 31 March 2020 from 1.26 times as on March 31, 2019. Acuité believes that the liquidity of the Company is likely to remain adequate over the medium term on account of adequate cash accruals to its maturing debt obligation.

Rating Sensitivities

- Improvement in scale of operation backed by healthy unexecuted order book position from State Government Electricity Boards
- Any further slippage in the debtor collection may affect the liquidity of the company

Outlook: Stable

Acuité believes that SIIl will maintain a stable outlook over the medium term backed by its experienced management and established track record of operation in the aforementioned industry. The outlook may be revised to 'Positive', if the Company demonstrates substantial and sustained growth in its revenues and operating margins from the current levels along with efficient working capital management. Conversely, the outlook may be revised to 'Negative', if the Company faces stretched Working capital cycle or fall in revenue or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	79.91	67.05
PAT	Rs. Cr.	1.45	1.15
PAT Margin	(%)	1.82	1.72
Total Debt/Tangible Net Worth	Times	1.08	1.10
PBDIT/Interest	Times	1.71	1.66

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

CARE vide its press release dated May 05, 2020 has denoted Svasca Industries India Limited as 'CARE B/Stable/CARE A4; Issuer Not Co-Operating'.

Any other information

None

Any Material Covenants

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>
- 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 (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	12.00	ACUITE BB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00*	ACUITE A4+ (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+ (Assigned)

*Includes interchangeable amount of Rs. 1.50crore with LC

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About Acuité Ratings & Research:

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