

Press Release

Sri Thirumala Fabricators



February 15, 2022

Rating Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.80	ACUITE BB- Withdrawn	-
Bank Loan Ratings	6.70	-	ACUITE A4+ Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	18.50	-	-

Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B Minus**) and **short-term rating of 'ACUITE A4+'** (read as **ACUITE A four Plus**) on the Rs.18.50 Cr. bank facilities of Sri Thirumala Fabricators.

The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuité's policy on withdrawal of ratings.

About the Firm

Tamil Nadu-based Sri Thirumala Fabricators was established as a partnership concern in the year 1997 by Mr. V. Ramesh. The firm was initially engaged in manufacturing of outside shells of transformers. Later in 2010, the firm started manufacturing of power transformers. The firm mainly serves to the Tamil Nadu Generation and Distribution Corporation (TANGEDCO).

About the Group

Tamil Nadu-based Hindusthan Transfformers was established as a partnership concern in the year 1998 by Mr. V. Ramesh. The firm was initially engaged in servicing of transformers. Later in 2004, the firm forayed into manufacturing of power transformers. The firm mainly serves to the TANGEDCO (Tamil Nadu Generation and Distribution Corporation).

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Hindusthan Transfformers and Sri Thirumala fabricators to arrive at the rating on the basis of common management and similar line of business. The two entities together are referred to as 'Hindusthan Group'.

Key Rating Drivers

Strengths

Experienced promoters with established track record in transformer manufacturing industry

The Group was established in 1997 and has a successful operational track record in the power transformers manufacturing business. The promoter Mr. V. Ramesh has more than two decades of experience in the transformer manufacturing industry and the long track record have helped the group to build healthy relationship with its suppliers and customers to ensure a steady raw material supply and repeat business from its customers. Also, group has adequate regional presence in Tamil Nadu. Acuité believes that the group will continue to benefit from its experienced management, long track of business operations in winning bids from the government over the medium term.

Moderate financial risk profile

Group's financial risk profile is moderate marked by low net worth, moderate gearing (debt-toequity), high total outside liabilities to total net worth (TOL/TNW) and moderate debt protection metrics. Group's net worth is low at Rs.6.45 Cr as on March 31, 2021 as compared to Rs.4.07 Cr as on March 31, 2020. Gearing stood at 1.08 times as on March 31, 2021 against 1.17 times as on March 31, 2020. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.75 times as on March 31, 2021 as against 1.68 times as on March 31, 2020. Its debt protection metrics are moderate marked by its NCA/TD and interest coverage ratio of 0.08 times and 1.27 times in FY2021 vis-à-vis 0.07 times and 1.30 times in FY2020, respectively. Acuité believes that with moderate accruals and no significant debt-funded capex plans, the financial risk profile is expected to moderate over the medium term.

Weaknesses

Working capital intensive nature of operations

Group's operations remained working capital intensive with Gross Current Assets (GCA) of 117-211 days over the past three fiscals ended through March 31, 2021, due to moderate inventory management and receivables. The inventory days ranged between 80-97 days and debtor's days ranged between 29-88 days during the last three years ended with March 31, 2021. To support the working capital, the company stretches the creditors to an extent of about 31-131 days. Its bank limits are utilised high about 89 percent during past 6 months through December 2021. Acuité believes that the operations of the SE will remain working capital intensive over the medium term.

Small scale of operations; Susceptibility of sales and profitability on account of tender based nature of operations

Group is a small-sized manufacturer of power transmission transformers. The Group reported an operating income (OI) of ~Rs. 40 Cr in FY2021. Its existing scale of operations remains smaller than the big-sized players in the transformers manufacturing industry. Group's sales and profitability are susceptible to the risk arising from tender-based nature of operations. Around 99 percent of the group's sales are mainly to TANGEDCO, where the orders are being received on tender basis, which indicates significant customer concentration risk. This is also evident from the previous years' revenue fluctuation, where the revenues of the group stood at Rs.13.39 Cr in FY2018, Rs.32.11 Cr in FY2019 and Rs.25.37 Cr in FY2020 and Rs.40.17 Cr in FY2021. There is an overcapacity in the domestic fragmented transformer industry with the installed capacity exceeding the required level, leading to stiff competition and limiting the

pricing flexibility of most players in this segment, thereby putting pressure on revenues and margins.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

Not Applicable

Material Covenants

None

Liquidity Position: Stretched

Group liquidity position remains stretched as reflected in its adequate net cash accruals to its maturing debt obligations; albeit constrained by high utilisation of working capital limits. Group has reported cash accruals of Rs.0.30 Cr to 0.54 Cr during last 3 years ended through FY2021 as against repayment obligations of about Rs.0.25 Cr to 0.35 Cr during the same period. Its cash accruals are expected in the range of Rs.0.50-0.75 Cr during FY2022-FY2024 against estimated repayment obligations of about Rs.0.50 Cr during the same period. Liquidity is further indicated by its low cash and bank balances Rs.0.26 Cr on its books as on March 31, 2021 and the fund-based limit utilisation stood at an average of 90 % in the last 6 months ending December 2021. The current ratio stood at 1.80 times as on March 31, 2021. Acuité believes that though cash accruals are adequate, howbeit, managing the working capital intensive operations will remain a key rating sensitivity factor.

Outlook:

Not Applicable

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	40.17	25.37
PAT	Rs. Cr.	0.47	0.26
PAT Margin	(%)	1.16	1.04
Total Debt/Tangible Net Worth	Times	1.08	1.17
PBDIT/Interest	Times	1.27	1.30

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
18 Dec 2020	Proposed Bank Facility	Long Term	10.30	ACUITE BB- Stable (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Assigned)
	Bills Discounting	Short Term	4.70	ACUITE A4+ (Assigned)
	Cash Credit	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	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ Withdrawn
Canara Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	4.70	ACUITE A4+ Withdrawn
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB- Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.30	ACUITE BB- Withdrawn

Contacts

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About Acuité Ratings & Research

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