



Press Release

Sri Thirumala Fabricators

June 12, 2024

Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.86	ACUITE BB- Reaffirmed & Withdrawn	-
Bank Loan Ratings	17.65	-	ACUITE A4+ Reaffirmed & Withdrawn
Bank Loan Ratings	18.49	-	Not Applicable Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	40.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of **ACUITE A4+** (read as **ACUITE A four plus**) on the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. 21.51 Cr. bank facilities of Sri Thirumala Fabricators(ST).

Acuite has also withdrawn the short-term rating on the Rs. 18.49 Cr. bank facilities of Sri Thirumala Fabricators(ST). The same is withdrawn without assigning any rating as it is a proposed facility.

The withdrawal is on account of client's request and receipt of NOC from the lead banker. The withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument.

Rationale for rating reaffirmation

The rating reaffirmation takes into account extensive experience of the management and established track record of more than 25 years in manufacturing of transformers for TANGEDCO. Further, the rating also factors in marginal decline in scale of operations, the revenue of the group stood at Rs 60.70 Cr. in FY 2023, as against Rs. 63.70 Cr. in FY2022. The group is further estimated to register the revenue of Rs.58 Cr. in FY24(Prov). However, rating is constrained by high customer and supplier concentration risk, moderate financial risk profile & intensive working capital operations of the group along with susceptibility of its to volatility in raw material prices.

About Company

Sri Thirumala fabricators was established as a partnership concern in the year 1997 by Mr. V. Ramesh. The firm initially engaged in servicing of transformers. Later in 2004, the firm engaged in manufacturing of power transformers. STF is a manufacturer of transformers utilized for electrical distribution. STF manufactures and sells transformers to Tamil Nadu Generation and Distribution Corporation (TANGEDCO), a subsidiary of Tamilnadu Electricity Board (TNEB). Transformers are made as per the specifications of TANGEDCO. Orders are acquired through participation in the tender process announced by TANGEDCO for yearly orders.

About the Group

Hindusthan group(HG) consists of two firms namely Hindusthan Trassformers(HT) and Shri Thirumala Fabricators(STF). HT was incorporated in 1998 and STF was incorporated in 1997, both the firms are engaged in manufacturing and selling of transformers to Tamil Nadu Generation and Distribution Corporation (TANGEDCO). Transformers are made as per the specifications of TANGEDCO. Orders are acquired through participation in the tender process announced by TANGEDCO for yearly orders.

Unsupported Rating

Not applicable

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 Transformers and Sri Thirumala fabricators to arrive at the rating. The consolidation is in the view of common management, operational linkages between the entities and a similar line of business. The two entities together are referred to as 'Hindusthan Group'.

Key Rating Drivers

Strengths

Long track record of operations and experienced management

The group has an experience of more than 25 years in manufacturing of transformers. The group is promoted by partners Mr. V. Ramesh, Mrs. E. Mahalaxmi, and Ms. N. Fatima Sumaiya, who possess experience spanning more than two decades in the manufacturing and sale of transformers. The extensive experience of promoters has helped the group establish long-term relationships with TANGEDCO and suppliers for repeat orders. HG manufactures 16KVB, 63KVB, 100/11 KVB, and 100/22 KVB transformers on tender-based orders from TANGEDCO, with billing cycles ranging from 120 days to 160 days. The nature of billing is order-based, and thus it has low business risk in terms of the billing cycle. The revenue of the group has declined from Rs. 63.70 crore in FY 2022 to Rs. 60.70 crore in FY 2023, which has further declined to Rs. 57.93 crore in FY24 (Prov) due to decline in order flow from TANGEDCO. The operating margins of the group are range-bound and remained in the range of 6-8% through the last 3 years.

Weaknesses

Moderate Financial risk profile

HG's financial risk profile is moderate, marked by a moderate capital structure, moderate gearing, and coverage indicators. The group's net worth stood at Rs 4.98 crore as of March 31st, 2023, against Rs 11.35 crore as of March 31st, 2022. The decline in net worth is due to the withdrawal of capital during the year. The group follows a moderately aggressive financial policy, reflected through its peak gearing of 2.63 times as of March 31, 2023, as opposed to 2.54 times as of March 31, 2022. The total outside liabilities to tangible net worth (TOL/TNW) stood at 5.50 times as on March 31st, 2023 as against 3.58 times as on March 31st, 2022. The company's debt protection metrics remain moderate, with an interest coverage ratio of 1.29 times as on March 31st 2023 as against 1.34 times as on March 31st 2022, and a debt service coverage ratio (DSCR) of 1.21 times as on March 31st 2023 as against 1.34 times as on March 31st 2022. The net cash accrual (NCA) to total debt (TD) is 0.06 times as of March 31, 2023, and 0.04 times as of March 31, 2022.

Working Capital Intensive operations

Working capital operations of the group are intensive, marked by high gross current asset

(GCA) days of around 169 to 268 days during the last 3 years through FY2023. The group maintains an inventory of about 80 to 88 days and gives credit periods of 75–151 days to its customers during the last 3 years through FY2023. Its inventory days stood at 80 in FY2023 against 88 days in FY2022. The debtor days stood at 76 days in FY2023 against 151 days in FY2022. Its creditor's days stood at 52 to 113 days during the last 3 years through FY2023.

High customer and supplier concentration risk

The group is a manufacturer of transformers utilized for electrical distribution. HG manufactures and sells transformers to Tamil Nadu Generation and Distribution Corporation (TANGEDCO). Transformers are made as per the specifications of TANGEDCO. Orders are acquired through participation in the tender process announced by TANGEDCO for yearly orders. TANGEDCO alone contributes 100 percent of total revenue, indicating a higher customer concentration risk. Further, the top ten suppliers contributed 100 percent of total purchases during the past three years, indicating a high supplier concentration risk.

Vulnerability of profitability owing to volatility in commodity prices

The profitability margins of the group are susceptible to volatility in commodity prices. Significant changes in commodity prices will impact the margins of the group.

Rating Sensitivities

Not Applicable

Liquidity Position: Adequate

HG's liquidity is adequate, marked by comfortable cash accruals to its debt obligations. It reported a cash accrual of Rs. 0.81 crore in FY23. The current ratio stands at 2.05 times, and cash and bank balances stood at Rs. 0.03 crore as of March 31, 2023. The group's working capital operations are intensive in nature as marked by GCA days of 169 days in FY2023.

Outlook:

Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	60.70	63.70
PAT	Rs. Cr.	0.66	1.04
PAT Margin	(%)	1.09	1.63
Total Debt/Tangible Net Worth	Times	2.63	2.54
PBDIT/Interest	Times	1.29	1.34

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Jun 2023	Bank Guarantee/Letter of Guarantee	Short Term	6.50	ACUITE A4+ (Assigned)
	Bills Discounting	Short Term	11.00	ACUITE A4+ (Assigned)
	Proposed Short Term Bank Facility	Short Term	18.49	ACUITE A4+ (Assigned)
	Secured Overdraft	Long Term	1.50	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	1.20	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	1.16	ACUITE BB- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Short Term	0.15	ACUITE A4+ (Assigned)
15 Feb 2022	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A4+ (Withdrawn)
	Bills Discounting	Short Term	4.70	ACUITE A4+ (Withdrawn)
	Cash Credit	Long Term	1.50	ACUITE BB- (Withdrawn)
	Proposed Long Term Bank Facility	Long Term	10.30	ACUITE BB- (Withdrawn)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.50	ACUITE A4+ Reaffirmed & Withdrawn
Canara Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.00	ACUITE A4+ Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.49	Not Applicable Withdrawn
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.50	ACUITE BB- Reaffirmed & Withdrawn
Canara Bank	Not avl. / Not appl.	Term Loan	10 Jul 2020	Not avl. / Not appl.	10 Jul 2024	Simple	1.20	ACUITE BB- Reaffirmed & Withdrawn
Canara Bank	Not avl. / Not appl.	Term Loan	10 Dec 2021	Not avl. / Not appl.	10 Dec 2026	Simple	1.16	ACUITE BB- Reaffirmed & Withdrawn
Canara Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.15	ACUITE A4+ Reaffirmed & Withdrawn

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Company Name
1	Hindusthan Transsformers
2	Sri Thirumala Fabricators

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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