



Press Release
SEC INDUSTRIES PRIVATE LIMITED
January 03, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	29.60	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	53.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	82.60	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating to ‘**ACUITE BB+**’ (read as **ACUITE double B plus**) and its short term rating to ‘**ACUITE A4+**’ (read as **ACUITE A four plus**) on the Rs.82.60 crore bank facilities of SEC Industries Private Limited (SEC). The outlook is ‘**Stable**’.

Rationale for rating reaffirmation

The rating reaffirmation reflects the improvement in scale of operations and profitability margins. The rating continues to take comfort from the established track record of operations, reputed clientele as well as the moderate financial risk profile along with adequate liquidity position of the company. Going forward, the company’s ability to scale up its operations while maintaining its profitability margins and restricting the elongation in its working capital cycle will be key rating monitorables.

About the Company

Established in 1954 and based in Hyderabad (Telangana), SEC was set up as a partnership firm by Mr. D. Seshagiri Rao, managing partner and other family members as the partners of the firm. In November 1997 the firm changed its constitution to private limited company and currently is promoted by Mr. D. Seshagiri Rao (Chairman), Mr. D. Vidyasagar (Managing Director) and Ms. D Charumathi (Director). SEC is into Aerospace and Defence engineering and engaged in the business of manufacturing and trading of precision components in defence, aerospace sector and naval systems.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the SEC Industries Private Limited (SEC) to arrive at this rating

Key Rating Drivers

Strengths

Promoters extensive experience; established track record of operations in defence manufacturing industry

SEC is promoted by Mr. D. Seshagiri Rao (Chairman), Mr. D Vidyasagar (Managing Director) and Ms. D

Charumathi (Director). Mr. D Vidyasagar, son of Mr. D Seshagiri Rao, has been part of the day-to-day operations of the company for more than 3 decades. The senior management team is ably supported by a strong line of mid-level managers. The extensive experience of the promoters is reflected through the established relationship with its customers and suppliers. The key customers of the company include reputed names like Defence Research and Development Organization (DRDO), Bharat Dynamics Limited (BDL), Indian Space Research Organisation

(ISRO), Vikram Sarabhai Space Centre (VSSC) amongst others. Acuité believes that SEC will continue to derive benefits from its experienced management and established presence and track record of operations over the medium term.

Moderate financial risk position

The company has moderate financial risk profile marked by average net worth, below unity gearing and comfortable debt protection metrics. The tangible net worth of the company improved moderately and stood at Rs. 51.72 crore as on March 31, 2024, as against Rs.48.84 crore as on March 31, 2023, due to accretion of reserves. The gearing of the company stood low at 0.72 times as on March 31, 2024, as against 0.85 times as on March 31, 2023. The total debt of the company stood at Rs.37.09 crore that consists of long-term debt of Rs.23.34 crore, unsecured loans of Rs. 2.90 crore and short-term debt of Rs.10.86 crore as on March 31, 2024. The interest coverage ratio stood at 2.62 times as on March 31, 2024, as against 2.31 times as on March 31, 2023. The DSCR stood at 1.38 times as on March 31, 2024, as against 1.02 times as on March 31, 2023.

The company has undertaken capex of Rs. 13.00 Cr., 75% of which is financed through Term Loans and balance 25% towards margin money, that is to be paid by the Company to increase the capacity. SIPL is expecting orders from Vikram Sarabhai Space Centre (VSSC) in current year, thus, to fulfil the same they require new machineries. The company will save ~Rs.1.50 Cr in Job work charges from FY2026, which they pay to Ancillary units because of no in-house manufacturing capacity. Acuite believes that financial risk position of the company will remain moderate in the medium term given adequate liquidity and moderate net worth.

Improvement in revenues and profitability margins

The operating scale of the company remained moderate and fluctuating with revenues of Rs.76.10 Cr. in FY2024 as against the revenue of Rs. 60.81 Cr. in FY2023 and Rs.87.71 Cr. in FY2022. The company has achieved revenue of ~Rs.36.00 crore as on November 2024. The company has in hand unexecuted order book of Rs. 128.45 crore as on November 2024. The company plans to execute the orders of around Rs. 40-45 crore in Q4FY2025. The operating margins have improved and stood at 15.08 percent in FY2024 as against 10.06 percent in FY2023 majorly due to reduction in raw material cost and administrative expenses. Also, the PAT margin improved and stood at 3.73 percent in FY2024 as against 0.76 percent in FY2023. Acuite believes, revenues of the company will continue to remain moderate in the medium term on the back of moderate order book position and ongoing capex.

Weaknesses

Working Capital Intensive operations

The company's working capital operations are intensive as evident from the GCA days of 217 days as on March 31, 2024, as against GCA days of 213 days as on March 31, 2023. The inventory days stood at 95 days for FY2024 as against 86 days for FY2023. The inventory consists majorly of raw materials and work in progress. The process of conversion from raw materials to finished goods takes around 6-9 months. The debtors' days stood at 80 days for FY2024 as against 92 days for FY2023 and the creditors days stood at 58 days for FY2024 against 98 days for FY2023. The average utilization of the bank limits is high at around 89.70 percent for six months ending November 2024.

Susceptible to volatility in raw material prices

As the major raw material for the products is steel, any fluctuations in the raw material prices may impact the margins of the company.

Rating Sensitivities

- Improvement in revenues along with sustainability in profitability margins.
- Deterioration in the financial risk profile and the liquidity position.

Liquidity Position

Adequate

The company has an adequate liquidity as reflected by the adequate net cash accruals as against the maturing debt obligations. The company generated cash accruals of Rs. 7.58 crore in FY2024 as against maturing debt obligations of Rs.4.18 crore over the same period. The average utilization of the bank limits is high at around 89.70 percent for six months ending November 2024. The company has cash and bank balance of Rs. 2.71 crore as on March 31, 2024. The current ratio stood at 1.60 times as on March 31, 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	76.10	60.81
PAT	Rs. Cr.	2.84	0.46
PAT Margin	(%)	3.73	0.76
Total Debt/Tangible Net Worth	Times	0.72	0.85
PBDIT/Interest	Times	2.62	2.31

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

Not Applicable

Any other information

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
19 Oct 2023	Letter of Credit	Short Term	3.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	50.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Cash Credit	Long Term	4.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	12.38	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	8.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Proposed Long Term Bank Facility	Long Term	2.90	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	2.32	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
22 Jul 2022	Letter of Credit	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	50.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	12.38	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	4.42	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.80	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A4+ Reaffirmed
South Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE A4+ Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	01 Apr 2024	Not avl. / Not appl.	30 Apr 2032	7.64	Simple	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2026	1.54	Simple	ACUITE BB+ Stable Reaffirmed
South Indian Bank	Not avl. / Not appl.	Term Loan	01 Jan 2022	Not avl. / Not appl.	31 Jan 2028	8.42	Simple	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

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