

Press Release

Sinewave Generators Private Limited

February 01, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	20.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	38.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of **ACUITE A3**(read as **ACUITE A three**) to the Rs.38 Cr bank facilities of Sinewave Generators Private Ltd(SGPL). The Outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned reflects the experience of the promoters of SGPL for more than 26 years in sales, installation and service of diesel generator sets. Further, the rating factors in the efficient working capital management along with healthy financial risk profile of the company. However, the above mentioned strengths are partly offset by modest scale of operations with moderate order book and geographical concentration risk and vulnerability of profitability owing to volatility in commodity prices.

About the Company

Sinewave Generators Private Limited incorporated in 2002. The Bengaluru-based company is an authorised dealer of diesel generators in Karnataka. The company engaged in Sales, Installation and Service of Diesel Generator Sets. Initially, the Company started with service activities in the first year and later diversified into sales and other allied works. Now, Sinewave Generators Private Limited is one of the leading dealers for "Cummins Powered DG Sets with Cummins make Engines coupled with Stamford Alternators" in entire South India. The Current directors of the Company are Mr.K. Praveen Kumar, Mr. Puthila Vishwanatha, Ms. Sujatha Shetty, and Ms. Leelavathi Sunkadakatte.

Analytical Approach

Acuite has considered standalone business and financial risk profile of Sinewave generators private ltd.

Key Rating Drivers

Strengths

Long Track record and experienced management

Sinewave Generators(SG) was incorporated in 1996 by Mr. Praveen Kumar and Mr.Vishwanath as a partnership firm subsequently converted into private limited company in 2022. SGPL is engaged in field of sale, installations and service of diesel generator sets. SGPL is an authorised dealer for Cummins Engines. The main objective of company is "Supply, Installation, Testing, Commissioning and Servicing of Diesel Generators" from 7.5 KVA to 3750 KVA. It also caters to the various allied works like sound proofing, AMF panel, synchronizing Panels, Automation and PLC Programming with BMS & Turnkey projects etc, In addition to this the Company also caters Rental power requirements of the market and has huge rental fleet DG sets in the form of both Mobile and Bed Mounted DG Sets. The experience of the promoters for more than 26 years has helped the company to establish a longstanding relationship with reputed clientele like Embassy Group, TATA Group, Shriram Group, Amazon India, etc.

Acuité believes that the group will continue to benefit from its experienced management and established relationships with both customers as well as suppliers in the medium term

Healthy Financial risk profile

SGPL's financial risk profile is healthy marked by healthy capital structure and coverage indicators. Company's net worth stood at Rs.36.81 Cr as on March 31, 2022 as against Rs.33.12 Cr as on 31 March, 2021, The increase in networth is majorly due to accretion of profits to the reserves. The debt-equity ratio of the company remains above average at 0.11 as on 31 March, 2022 as against 0.10 as on 31 March, 2021. The Total outside liabilities to Tangible net worth stood at 0.39 times for FY2022 as against 0.72 times in FY2021. Company's debt protection metrics remains strong with an Interest coverage ratio stood at 18.63 times as on 31 March, 2022 and 20.72 times as on 31 March, 2021. The net cash accrual(NCA) to total debt(TD) is 1.33 times as on 31 March, 2022 and 1.26 times as on 31 March, 2021.

Acuité believes that the financial risk profile of the firm may continue to remain healthy in the absence of any major debt funded capex in near to medium term.

Efficient working capital operation

The working capital operations of SGPL are efficiently managed with a GCA days of 44 days in FY 2022 as against 60 days in FY 2021. The inventory days of the company stood at 7 days in FY 2022 as against 15 days in FY 2021 which is in line with the company's policy of maintaining an inventory of 9 to 15 days. The debtor days has improved and stood at 20 days in FY 2022 as against 32 days in FY 2021. The creditor days of the firm has stood at 14 days in FY 2022 as against 10 days in FY 2021.

Acuité' believes that working capital operations of the company may continue to remain efficient with SGPL's emphasis on better working capital management.

Weaknesses

Modest Scale of Operations and moderate order book

The scale of operations of the company remain modest with a revenue recorded of Rs 66.73 Cr in FY 2022. However, there is an increase in revenue compared to Rs 38.09 Cr in FY 2021. The company has already achieved a revenue of Rs 55.50 Cr till December 2022. However, the current order book position is moderate as on date at Rs 33 Cr. Further, the operating margins of the company has reduced to 4.43% and 4.41% in FY 2022 and FY 2021 respectively from 10.30% in FY 2020. The PAT margins of the company has reduced to 5.68% in FY 2022 as against 7.19% in FY 2021.

Significant improvement in revenue along with profitability is a key rating sensitivity.

Vulnerability of profitability owing to volatility in commodity prices

The profitability margins of the firm are susceptible to volatility in commodity prices in domestic

and international market. Significant changes in commodity prices impact the margins of the firm reflected by decline in operating margin to 10.30 percent in FY2020 from 4.43 percent in FY2022. Acuité believes that profitability of the firm will remain susceptible to volatility in commodity prices in the near to medium term.

High Geographic concentration of risk

The operations of the SGPL are limited to Bangalore region which is responsible for almost all the revenue and this leaves the firm with exposure to significant geographical and political risk. Therefore, any negative development in this area would significantly hurt the overall operations of the company.

Rating Sensitivities

- Significant improvement in scale of operations, while maintaining profitability margins
- Deterioration in working capital cycle and any unplanned significant capex to deterioration of financial risk profile and liquidity.

Material covenants

None

Liquidity: Adequate

Company has a adequate liquidity position as reflected by net cash accruals improved from 4.27 Cr in FY2021 to 5.22 Cr in FY2022. It is expected to generate cash accruals in the range of 5.25 to 6.00 Cr over the medium term. Current ratio of the firm stood at 2.18 times and cash and bank balance stood at 0.01 Cr as on March 31st 2022. Company working capital requirements are efficiently managed with GCA days of around 45 to 60 days making it less dependent on short term borrowing for working capital requirements. Average bank utilization stood at 47 percent for the last 6 months ended December 2022. Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals and efficient working capital management.

Outlook: Stable

Acuité believes that SGPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoter's extensive industry experience, Strong product profile, and strong dealership network. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability or if the financial risk profile weakens, because of stretch in the working capital cycle or higher than expected debt-funded capital expenditure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	66.73	38.09
PAT	Rs. Cr.	3.79	2.74
PAT Margin	(%)	5.68	7.19
Total Debt/Tangible Net Worth	Times	0.11	0.10
PBDIT/Interest	Times	18.63	20.72

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.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, 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:

None

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3 Assigned
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB- Stable Assigned
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3 Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE BBB- Stable Assigned
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.50	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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