



Press Release
Sinewave Generators Private Limited
April 30, 2024
Rating Reaffirmed

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

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 38.00 Cr. bank facilities of Sinewave Generators Private Limited (SGPL). The Outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating reaffirmation takes into account the stable operating and financial performance of the company marked by improving profitability, healthy financial risk profile albeit modest scale of operations. The company generated revenue of Rs. 57.04 Cr. in FY2023 as against Rs.66.73 Cr. in FY2022. The operating profitability improved to 11.70 percent in FY2023 as against 4.43 percent in FY2022. In 10MFY2024, the operating income stood at ~Rs.40.00 Cr. and is estimated to close the year in the range of Rs. 55.00-60.00 Cr, with sustenance of improved profitability as reflected in FY2023. The financial risk profile continues to remain healthy marked by low gearing and comfortable debt protection metrics. The rating also factors in the extensive experience of the promoters. However, the above mentioned strengths are partly offset by modest scale of operations with moderate order book and geographical concentration risk .

About the Company

Sinewave Generators Private Limited was incorporated in 2002. The Bengaluru-based company is an authorised dealer of diesel generators in Karnataka. The company engaged in Sales, Rental, 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered standalone business and financial risk profile of Sinewave Generators Private Limited

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, etc. Acuite 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

The company's financial risk profile is healthy marked by a healthy capital structure and comfortable debt protection metrics. The networth stood at Rs. 42.40 crore on March 31, 2023 as against Rs. 36.81 crore on March 31, 2022. Increase in networth is on account of profit accretion. Total debt as on March 31, 2023 stood at Rs. 16.19 crores, which consists of long term debt of Rs. 10.82 crore, short term debt of Rs. 4.59 crore and CPLTD of Rs. 0.78 crore. The gearing ratio stood at 0.38 times on March 31, 2023 as against 0.11 times on March 31, 2022. Interest coverage ratio stood at 10.70 times on March 31, 2023 and 18.63 times on March 31, 2022. The NCA/TD is 0.45 times on March 31, 2023 as against 1.33 times on March 31, 2022. TOL/TNW stood at 0.58 times on March 31, 2023 as against 0.39 times as on March 31, 2022.

Efficient Working Capital Management

The company's working capital management is efficient marked by gross current asset days of 66 days in FY2023 as against 44 days in FY2022. The GCA days are driven by inventory days and debtor days. The inventory days stood at 31 days on March 31, 2023 as against 7 days on March 31, 2022. The debtor days stood at 33 days on March 31, 2023 as against 20 days in March 2022. The creditors days stood at 4 days at March 31, 2023 and 14 days at March 31, 2022. The current ratio stood at 2.28 times on March 31, 2023 as against 2.98 times on March 31, 2022. The average bank utilization of the company stood at ~61.22% for fund based limits and ~33.32% for non-fund based limits.

Weaknesses

Modest Scale of Operations and Moderate Order book

The scale of operations of the company remain modest with a revenue recorded of Rs. 57.04 Cr. in FY 2023 as against Rs. 66.73 Cr. in FY2022. In 10MFY2024, the operating income stood at ~Rs.40.00 Cr. and is estimated to close the year in the range of Rs. 55.00-60.00 Cr. As on March, 2024 the company's outstanding orderbook stood at Rs. 24.34 Cr. providing near term revenue visibility. The operating income is estimated to remain range bound with improvement in profitability margins. The company's operating profitability improved to 11.70 percent in FY2023 as against 4.43 percent in FY2022. The operating profitability is estimated to be sustained at the improved levels of FY2023, in view of increased focus of the company on higher margin generating business segments. Acuite believes the company's ability to improve its scale of operations while maintaining its profitability margins will remain a key rating sensitivity

High Geographic concentration of risk

The operations of the SGPL are mainly concentrated in 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 leading to deterioration of financial risk profile and liquidity.

Liquidity Position Adequate

The firm has an adequate liquidity position marked by sufficient Net Cash Accruals (NCA) against its maturing debt obligations for the same period. The company generated NCAs of Rs. 7.25 crores against maturing debt obligation of Rs. 0.96 crores in FY2023. The company is expected to generate Net Cash Accruals in the range of Rs. 7.00 to 10.00 crores in FY2024 and FY2025 against no repayment obligations during this period. Current ratio stood at 2.28 times on March 31, 2023. The company has an unencumbered cash and bank balance of Rs. 0.01 crores as on March 31, 2023. The average bank utilization of the company stood at ~61.22% for fund based limits and ~33.32% for non-fund based limits for thirteen months ended March, 2024.

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	57.04	66.73
PAT	Rs. Cr.	5.59	3.79
PAT Margin	(%)	9.79	5.68
Total Debt/Tangible Net Worth	Times	0.38	0.11
PBDIT/Interest	Times	10.70	18.63

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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
01 Feb 2023	Term Loan	Long Term	12.50	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.50	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A3 (Assigned)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A3 Reaffirmed
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A3 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.00	ACUITE BBB- Stable Reaffirmed

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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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