

Press Release

Shakti Insulated Wires Private Limited

February 10, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	29.57	ACUITE B Stable Assigned	-
Bank Loan Ratings	18.43	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	48.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs.29.57 Cr. bank facilities and short-term rating of **ACUITE A4** (read as **ACUITE A four**) on Rs.18.43 Cr bank facilities of Shakti Insulated Wires Private Limited (SIWPL). The outlook is '**Stable**'.

Reason for rating assigned

The rating assigned takes into consideration the experience of the management along with the established track record of operations of the Group. However these strengths are partially offset by the weak financial risk profile, working capital intensive nature of operations and the stretched liquidity position of the Group. Going forward, the ability of the Company to restrict further elongation of working capital cycle would be a key rating monitorable.

About Company

Incorporated in 1962, Shakti Insulated Wires Private Limited is a manufacturer and exporter of Paper Covered Rectangular and Round Copper wire for Power and Distribution Transformer. They are supplying to major Power Transformer manufactures in India and abroad. Mr. Markand Chandrakant Thakore, Mrs. Freny Jayesh Jhaveri, Ms. Shivani Markand Thakore are the directors of the company. Its registered office is at Borivali and manufacturing units are in Ankleshwar and Pune.

About the Group

Shakti Group consists of the flagship company Shakti Insulated Wires Private Limited and Shakti Shaswati Private Limited. Shakti Insulated Wires Private Limited was incorporated on 21 December 1962. It is classified as non-govt company and is registered at Registrar of Companies, Mumbai. The Directors of Shakti Insulated Wires Private Limited are Markand Chandrakant Thakore, Freny Jayesh Jhaveri, Shivani Markand Thakore. The company is into the manufacturing of paper insulated copper conductors and transformer tanks. Shakti Shaswati Private Limited was incorporated to assist its parent company create and enhance

international presence by acting as a sole selling agent through acquisition of export marketing rights. Both the companies are now merged.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

The team has considered the consolidated business and financial risk profile of Shakti Insulated Wires Private Limited and Shakti Shaswati Private Limited to arrive at the rating. The consolidation is done on the basis of operational linkages and common management.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

Shakti Insulated Wires Private Limited (SIWPL) was incorporated in 1962 and is engaged in manufacturing of paper insulated copper conductors. It has an extensive experience of more than six decades in the said line of business. The directors are involved in day-to-day operations of the Group and are ably supported by a strong line of mid-level managers. The long experience of the directors has helped the group to make healthy relationships with the customers and export to countries like Kuwait, Oman, UAE, etc. The Group's revenue improved by ~40.97 percent to Rs.91.65 Cr in FY2022 as against Rs.65.01 Cr in FY2021. The increase in the income for FY22 is majorly due to higher price realization for the products and increase in the export sales of the group. Further, the Group has achieved a turnover of Rs.92.86 Cr in 8MFY23. Acuité believes the experience of the directors and the long track record of operations will help the Group in maintaining their business risk profile over the medium term.

Weaknesses

Negative PAT margin

The Group continues to have a negative PAT margin as marked by the PAT margin of negative 3.39 percent for FY2022 as against negative 3.71 percent for FY2021. Acuité believes that the ability of the Group to protect the margins will remain a key rating sensitivity in medium term.

Weak financial risk profile

The Group's financial risk profile is weak marked by a negative net-worth and below average gearing and debt protection metrics. The net worth of Group stood at negative Rs.35.41 crore as on March 31, 2022, as against negative Rs.32.31 Cr as on March 31, 2021. The Group had a land whose book value as on 1st April 2020 stood at Rs.47 lakhs. This land was revalued, and the revaluation reserve stood at Rs.146.31 Cr in FY2021 and Rs. 146.11 Cr in FY2022. The same has been reduced from the Net worth and the Netblock. The gearing level of the Group stood at negative 1.94 times as on March 2022. The total debt of the Group stood at Rs.68.53 Cr as on March 31, 2022. The total debt of the Group comprised of long-term debt of Rs.29.67 Cr and short-term debt of Rs.35.16 Cr as on 31 March 2022. The coverage ratios of the group remained weak with Interest Coverage Ratio (ICR) of 0.77 times for FY2022 against 0.77 times for FY2021. The Debt Service Coverage Ratio (DSCR) stood below unity at 0.50 times for FY2022 against 0.75 times for FY2021. The total outside liabilities to tangible net worth (TOL/TNW) of the Group stood at negative 2.48 times in FY2022 as against negative 2.27 times in FY2021. Acuité believes that the financial risk profile of the Group will remain a key sensitivity in medium term.

Working capital intensive operations

The Group's operations are working capital intensive as evident from Gross Current Asset

(GCA) of 140 days as on March 31, 2022, as against 124 days as on March 31, 2021. The high GCA days is majorly on account of increase in the inventory levels which stood at 69 days for FY2022 compared against 26 days for FY2021. The inventory levels are high due to multiple orders of exports planned for March 2022 but executed in April 2022. The debtors' days stood at 49 days for FY2022 against 59 days for FY2021. The creditor days of the group stood at 51 days for FY2022 as against 47 days for FY2021. The Packing credits are utilized around 75 percent till December 2022.

Rating Sensitivities

Improvement in scale of operations.
Further deterioration in the PAT margins.
Stretch in working capital cycle and deterioration in liquidity position.

Material Covenants

None

Liquidity position:stretched

The Group has a stretched liquidity position marked by negative net cash accruals against maturing debt obligations. The Group generated cash accruals of negative Rs.1.36 Cr in FY2022 compared against maturing debt obligations of Rs.3.29 Cr for the same period. The cash accruals of the Group are estimated to be around negative Rs.0.03-0.81 Cr during 2023-24 period while its matured debt obligations are estimated to be around Rs.3.98-4.76 Cr during the same period. The Group maintained unencumbered cash and bank balances of Rs.0.61 Cr as on March 31, 2022, and the current ratio stood at 0.61 times as on March 31, 2022.

Outlook:

Acuité believes that SG will maintain a 'Stable' business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in revenues along with the profitability while maintaining working capital cycle. Conversely, the outlook may be revised to 'Negative' in case the group registers lower-than expected growth in revenues and continues with the negative PAT, or in case of elongated working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	91.65	65.01
PAT	Rs. Cr.	(3.10)	(2.41)
PAT Margin	(%)	(3.39)	(3.71)
Total Debt/Tangible Net Worth	Times	(1.94)	(1.81)
PBDIT/Interest	Times	0.77	0.77

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

None

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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Abhyudaya Cooperative Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A4 Assigned
Abhyudaya Cooperative Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	3.43	ACUITE A4 Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.07	ACUITE B Stable Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.27	ACUITE B Stable Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	8.64	ACUITE B Stable Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.59	ACUITE B Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Tanvi Kadam Analyst-Rating Operations Tel: 022-49294065 tanvi.kadam@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.