

## Press Release

Capchem Electricals Limited (Erstwhile Capchem Electricals Private Lin

February 23, 2023



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.75	ACUITE B+   Stable   Assigned	-
Bank Loan Ratings	3.25	-	ACUITE A4   Assigned
Total Outstanding Quantum (Rs. Cr)	10.00	-	-

## Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE B+**' (read as **ACUITE B 'plus'**) and its short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 10 Cr bank facilities of CAPCHEM ELECTRICALS LIMITED (CEL). The outlook is '**Stable**'.

### Rating Rationale

The rating assigned favourably factors in the experienced management and moderate order book position of the Company. However, the rating remains constrained by the below average financial risk profile and working capital intensive nature of operations. Going forward, the Company's ability to improve its scale of operations while maintaining its profitability and capital structure and ability to restrict further elongation in the working capital cycle will remain a key rating monitorable.

### About the Company

Capchem Electricals Limited incorporated in August 2010 as a private limited company, changed its constitution to an unlisted public company from April, 2022 onwards. The company is engaged in providing maintenance services to electrical sub-stations for data centres, switchgear, capacitors, circuit breaker, transformers and other electrical distribution equipment. The company is based in Mumbai and is owned by Mr. Anand Anant Galgali along with his family members.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of CEL to arrive at the rating

### Key Rating Drivers

#### Strengths

- Experienced management

CEL started its operations in 2010 under the leadership of Mr. Anand Anant Galgali and

Ms. Anupama Galgali. Mr. Galgali possesses more than a decade of industry experience. Further, in April 2022, CEL appointed four new directors for augmenting the overall business profile of CEL. The newly appointed directors include Mr Ramchandra Vitthal Satre, Mr Rajan Pratapsingh Thakur, Mr Shrikishan Chunnilal Shrirangam and Ms Nisha Gujar. Acuité believes that the experience and expertise of the promoters and management will benefit the company going forward, resulting in steady growth in the scale of operations.

- **Moderate order book position**

As on December, 2022 the company's unexecuted order book position stood at Rs.71 Cr. i.e. 5.07 times of its FY22 revenue. The orders were received in August, 2022 (for a total value of Rs.79 Cr) and are expected to be completed over the medium term.

## **Weaknesses**

- **Below average Financial risk profile**

The company's below average financial risk profile is marked by low net worth, high gearing and weak debt protection metrics. The net worth of the company stood at Rs.2.52 Cr, Rs.2.83 Cr, Rs.2.79 Cr as on March 31, 2022, 2021, 2020 respectively. The gearing of the company has been deteriorating over the last 3 years ending March 31, 2022. It stood at 4.78 times as on March 31, 2022 against 4.55 times as on March 31, 2021 and 4.08 times as on March 31, 2020. The deterioration in gearing ratio is due to increase in debt portion. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 1.10 times and 0.58 times as on March 31, 2022 respectively as against 1.09 times and 0.61 times as on March 31, 2021 respectively. TOL/TNW stood at 8.23 times in FY22, 6.69 times in FY21 and 6.97 times in FY20. The debt to EBITDA of the company stood at 7.06 times as on March 31, 2022 as against 8.91 times as on March 31, 2021 and 4.76 times as on March 31, 2020.

- **Intensive Working capital management**

The working capital management of the company remained intensive with high GCA days at 549 days as on March 31, 2022 as against 986 days as on March 31, 2021. Inventory days stood at 221 days as on March 31, 2022 as against 453 days as on March 31, 2021. Subsequently, the payable period stood at 354 days as on March 31, 2022 as against 513 days as on March 31, 2021 respectively. The debtors day stood at 120 days as on March 31, 2022 as against 323 days as on March 31, 2021. Further, the average bank limit utilization in the last eight months ended November, 22 remained at ~97 percent for fund based and 67 percent for non-fund based. Acuité believes ability of the Company to improve its working capital cycle over the medium term will remain a key rating monitorable.

## **Rating Sensitivities**

Lower-than-expected revenue and profitability

Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity

## **Material covenants**

None

## **Liquidity Position: Poor**

The company's liquidity is poor marked by low net cash accruals of Rs. 0.13Cr in FY2022 against repayment obligations of Rs. 1.35 Cr. The working capital cycle of CEL stood intensive on account of high GCA (Gross Current Asset) days of 549 in FY2022. Unencumbered cash and bank balances stood at Rs. 0.20 Cr as on March 31, 2022. The current ratio of the company stood at 1.39 times as on March 31, 2022. The fund based bank limits utilization of CEL is 97

percent for fund based and for 67 percent for non- fund based for the past eight months ending November, 2022. Acuité believes that the liquidity of the company is likely to improve over near to medium term owing to increase in scale of operations and margins.

### Outlook: Stable

Acuité believes that CEL will maintain a 'Stable' outlook over the medium term owing to its experienced management and moderate orderbook position.. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case deterioration in its working capital management or larger-than expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	13.83	7.08
PAT	Rs. Cr.	0.05	0.02
PAT Margin	(%)	0.35	0.31
Total Debt/Tangible Net Worth	Times	4.78	4.55
PBDIT/Interest	Times	1.10	1.09

### 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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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. 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](http://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	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	3.25	ACUITE A4   Assigned
Abhyudaya Cooperative Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE B+   Stable   Assigned
Abhyudaya Cooperative Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.75	ACUITE B+   Stable   Assigned

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:moparthy.anuradha@acuite.in">moparthy.anuradha@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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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