

Press Release

CAPCHEM ELECTRICALS LIMITED (ERSTWHILE CAPCHEM ELECTRICALS PRIVATE LIMITED)

May 23, 2024



Product	Rating Assigned and Upgraded (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.45	ACUITE BB- Stable Upgraded	-
Bank Loan Ratings	1.45	-	ACUITE A4+ Assigned
Bank Loan Ratings	3.55	-	ACUITE A4+ Upgraded
Total Outstanding Quantum (Rs. Cr)	11.45	-	-

Rating Rationale

Acuite has upgraded its long-term rating to 'ACUITE BB-' (read as ACUITE double B Minus) from 'ACUITE B+' (read as ACUITE B plus) and its short-term rating to 'ACUITE A4+' (read as ACUITE A four Plus) from 'ACUITE A4' (read as ACUITE A four) on the Rs. 10 Cr. bank facilities of Capchem Electricals Limited (Erstwhile Capchem Electricals Private Limited) (CEL). The outlook is 'Stable'.

Acuite has assigned its short-term rating of 'ACUITE A4+' (read as ACUITE A four Plus) on the Rs. 1.45 Cr. bank facilities of Capchem Electricals Limited (Erstwhile Capchem Electricals Private Limited) (CEL).

Rationale for upgrade :

The rating upgrade takes into account the established track record of operations along with experienced management of CEL, augmentation in the business risk profile backed by an improvement in the scale of operations, a sustained moderate financial risk profile during FY2024. The company's revenue stood at Rs.30.62 Cr. in FY2023, implying a growth rate of ~121.45 percent against the previous year. Further, the company is estimated to achieve a revenue of Rs.40.68 Cr. in FY2024. The margins during FY2023 stood at 12.91 percent against 10.79 percent in FY2022. The financial risk profile of the company continues to be moderate with moderate debt protection metrics and gearing levels. The overall gearing of the company stood at 0.95 times as on March 31, 2023, as against 4.78 times as on March 31, 2022. The interest coverage ratio stood at 2.46 times in FY2023 against 1.10 times in FY2022. The ratings are further supported by the company's healthy order book position of Rs. 294.55 Cr. as on March 31, 2024, reflecting revenue visibility over the medium term.

The rating remains constrained by the working capital-intensive nature of operations.

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.

Unsupported Rating

Not applicable

Analytical Approach

Acuité 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 to augment its overall business profile. The newly appointed directors include Mr. Ramchandra Vitthal Satre, Mr. Rajan Pratapsingh Thakur, Mr. Shrikishan Chunnillal Shirangam, 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.

- **Significant growth in scale of operations and healthy order book position**

The company has reported significant YOY growth of 121.45 percent in FY2023 as compared to FY2022. Revenues stood at Rs.30.62 Cr. in FY2023 as against Rs.13.83 Cr. in FY2022. The improvement in the revenues is on account of healthy inflow of orders and their timely execution. Out of the total revenue, 80 percent of the revenue is from one order i.e, Aamanthin info park (electrical sub-stations work). The margins during FY2023 stood at 12.91 percent against 10.79 percent in FY2022. The company has a healthy order book position of Rs 294.55 Cr. as of March 31st 2024, which is to be executed in the next 1–2 years, providing revenue visibility over the medium term. Further, the company is estimated to achieve a revenue of Rs.40.68 Cr. in FY2024. Operating profit margins are estimated to be stable in FY2024 in the range of 12.5 - 13 percent. Acuite believes that the scale of operations will continue to improve over the medium term backed by a healthy order book position.

- **Moderate financial risk profile**

The financial risk profile of the company has remained moderate with low net worth, moderate gearing and debt protection metrics. The net worth of the company stood at Rs.7.29 Cr. and Rs.2.52 Cr. as on March 31, 2023, and 2022 respectively. The reason for improvement in the net worth is on account of infusion of Rs.1.40 Cr. as equity share capital and of Rs.1.96 Cr. as securities premium in FY2023. The gearing of the company stood at 0.95 times as on March 31, 2023, against 4.78 times as on March 31, 2022. The improvement in the gearing ratio is on account of increase in net worth position and decrease in long term debt. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 2.46 times and 1.19 times as on March 31, 2023, respectively as against 1.10 times and 0.58 times as on March 31, 2022, respectively. The debt to EBITDA of the company stood at 1.72 times as on March 31, 2023, as against 7.06 times as on March 31, 2022. Acuite believes that financial risk profile will improve in the medium term on account of moderate capital structure and debt protection metrics.

Weaknesses

- **Intensive Working Capital Management**

Company's working capital cycle is intensive as reflected by its GCA days at 392 days as on March 31, 2023, as against 549 days as on March 31, 2022. However, the improvement is reflected in FY2023 is on account of improvement in the inventory days. Inventory days stood at 102 days as on March 31, 2023, as against 221 days as on March 31, 2022. The

debtor days stood at 221 days as on March 31, 2023, as against 120 days as on March 31, 2022. Subsequently, the payable period stood at 291 days as on March 31, 2023, as against 352 days as on March 31, 2022, respectively. Further, the average bank limit utilization in the last 6 months ended March 24 remained at ~90 percent for fund-based limits and 100 percent for non- fund-based limits. Acuité believes ability of the company to improve its working capital cycle over the medium term will remain a key rating monitorable.

Rating Sensitivities

- Growth in scale of operations while maintaining the profitability margins
- Significant elongation in working capital cycle leading to deterioration in liquidity position and financial risk profile

Liquidity Position: Adequate

The liquidity profile of the company is adequate, marked by adequate net cash accruals to its maturing debt obligation. The company generated cash accruals of Rs.1.79 Cr. in FY2023, while its maturing debt obligations were Rs. 1.24 Cr. during the same period. Going forward, the company is expected to generate net cash accruals in the range of Rs. 3.00-6.00 Cr. in FY 2024-25 against repayment obligations of Rs.0.78-0.92 Cr. Unencumbered cash and bank balances stood at Rs. 0.01 Cr. as on March 31, 2023. The current ratio stood at 1.20 times as on March 31, 2023. The fund-based bank limit utilization of company is 90 percent for fund-based and 100 percent for non-fund-based limits respectively, for the past 6 months ending March 2024. Acuité believes that the liquidity of the company is likely to be adequate in the near to medium term backed by adequate accrual generation.

Outlook: Stable

Acuité believes that CEL will maintain a 'Stable' outlook over the medium term owing to its experienced management along with improving scale of operations supported by a healthy order book position and the company's moderate financial risk 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	30.62	13.83
PAT	Rs. Cr.	1.67	0.05
PAT Margin	(%)	5.45	0.35
Total Debt/Tangible Net Worth	Times	0.95	4.78
PBDIT/Interest	Times	2.46	1.10

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>
- 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, 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
23 Feb 2023	Bank Guarantee/Letter of Guarantee	Short Term	3.25	ACUITE A4 (Assigned)
	Cash Credit	Long Term	5.00	ACUITE B+ Stable (Assigned)
	Working Capital Term Loan	Long Term	1.75	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
NKGSB Cooperative Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.55	ACUITE A4+ Upgraded (from ACUITE A4)
NKGSB Cooperative Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.45	ACUITE A4+ Assigned
NKGSB Cooperative Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BB- Stable Upgraded (from ACUITE B+)
NKGSB Cooperative Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	06 Mar 2026	Simple	1.45	ACUITE BB- Stable Upgraded (from ACUITE B+)

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 moparthy.anuradha@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. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.