



**Press Release**  
**SECON ENGINEERING PROJECTS PRIVATE LIMITED (ERSTWHILE SECON)**  
**December 07, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.40	ACUITE BB   Stable   Reaffirmed	-
Bank Loan Ratings	15.60	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	25.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.25.00 Cr. bank facilities of SECON ENGINEERING PROJECTS PRIVATE LIMITED (ERSTWHILE SECON) (SEPPL). The outlook is '**Stable**'.

**Rationale for rating reaffirmation**

The rating reaffirmation is takes into account established track record of operations, experienced management and stable operating performance of SEPPL. The turnover of SEPPL stood moderate of Rs.19.12 Cr in FY2023 with operating margins of 6.50 percent. The rating continues to factor in the reputed clientele and moderate financial risk profile with comfortable debt protection metrics of the company albeit decline in critical leverage and coverage ratios noted in FY2023 vis-à-vis FY2022. Further, the ratings are constrained by the working capital intensive operations and presence in competitive and fragmented industry.

**About the Company**

Established in the year 1987, Secon is a partnership firm engaged in the fabrication of spares for marine, various steel plants and other allied industries. They design, build, test and deliver such products across India. In some cases, few components are purchased from suppliers, while others are manufactured in-house, then integrates such components and the end product is supplied to the customers. Their manufactured products are majorly used in Steel Plants, Ports and Refractory Industries. From Engineering Contracts to Marine Solutioneering the company has evolved in reputation having customers across the length and breadth of India.

In 2023, firm has incorporated into company as Secon engineering Projects private limited (SEPPL).

The major clientele of the SEPPL are Director General Naval Projects, Ministry of Defence, Telangana State Tourism Development Corp, Visakhapatnam Steel Plant, etc.

The current installed capacity is 200MT/month. SEPPL is one of the nine pre-approved contractor by the Ministry of Defence. The company is now more focused on Defence Projects under Atmanirbhar bharat having core projects in its forte. The company is a family run enterprise with second generation in the operations.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of Secon Engineering Projects Private Limited (SEPPL) to arrive at this rating

## Key Rating Drivers

### Strengths

#### **Established track record of operations and experienced management**

SEPPL was established in the year 1987 by Mr. T. Mahidhar Chowdary, Mr. T. Rajeshwari Chowdary and Mr. T. Rohit Chowdary. Mr. T. M. Chowdary has an experience of more than three decades and Mr. Rohit Chowdary has an experience of more than one decade in the aforementioned line of business. Active participation by directors in the business has helped the company in developing long- term relationships with its customers and suppliers. Owing to its established track record of operations and management experience, SEPPL has booked the revenue of Rs.19.12 crore in FY2023 as compared to Rs.16.33 crore in FY202 with growth of 17.03 percent in revenue. SEPPL already reported Rs.13.52 Cr in first half of FY2024. The EBITDA margin improved and stood at 6.50 percent as on FY2023 as against 4.20 percent as on FY2022. Further they have an unexecuted order book position of Rs.45.62 crore as on 31 March 2023. Acuité believes that SEPPL will continue to benefit from its established track record of operations, experienced management and long-standing relationships with its customers and suppliers.

#### **Reputed clientele**

The company caters to government organizations such as Ministry of Defence, Indian Oil Corporation Limited, Director General Naval Projects, Vishakhapatnam Steel plant and Telangana Tourism Development Corporation, to name a few. In addition to this, SEPPL is also executing orders for private institutions such as RHI Classil Limited. Acuité believes that SEPPL will continue to benefit from catering to reputed clientele.

#### **Moderate Financial risk profile with comfortable debt protection metrics**

SEPPL has a moderate financial risk profile marked by a moderate gearing ratios, comfortable debt protection metrics albeit low net worth. The net worth of the company stood at Rs.8.18 Cr as on March 31, 2023 against Rs.8.32 Cr as on March 31, 2022. The debt-equity ratio deteriorated and stood at 1.03 times as on March 31, 2023 as against 0.23 times as on March 31, 2022. The increase in the working capital limits lead to decrease in the gearing ratio. The total debt of Rs.8.41 Cr as on March 31, 2023 consist of long-term debt of Rs.0.18 Cr, Short term debt of Rs.7.78 Cr and maturing portion of long term borrowings of Rs.0.45 Cr. The TOL/TNW (Total outside liabilities/Total net worth) stood at 2.32 times as on March 31, 2023 against 1.48 times in previous year. The debt protection metrics is comfortable, however deteriorated in FY2023 due to increase in interest cost. The Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 2.46 times and 1.92 times respectively as on March 31, 2023 as against 4.49 and 2.16 times respectively in the previous year. Acuité believes that the financial risk profile of the company will continue to remain moderate on account of moderate business operations of the company.

### Weaknesses

#### **Working capital intensive operations**

The operations of the SEPPL are working capital intensive marked by high GCA days. The GCA days which stood at 412 days as on 31st March 2023 as against 340 days as on 31st March 2022. The increase in the inventory, debtor days and other current assets resulted to increase in GCA days. The inventory days of the company increased stood at 156 days as on 31st March 2023 as against 125 days as on 31st March 2022. On the other hand, the debtor days stood stable at 87 days as 31 March 2023 as against 84 days as on 31 March 2022. The creditor days of the company stood low at 6 days as on 31st March 2023 against 18 days as on 31st March 2022. The fund based CC limit utilisation of SEPPL remained highly utilized at an average of nearly 88.56 per cent for the 6 months ending July 2023. Acuite believes that working capital operations of the company will remain intensive due to nature of operations.

#### **Competitive and fragmented industry**

The manufacture of spares and equipment industry is highly fragmented and unorganized. SEPPL is exposed to intense competitive pressure from large number of organized and

unorganized players along with its exposure to inherent cyclical nature of the steel industry.

### **Rating Sensitivities**

- Significant improvement in the scale of operations.
- Significant deterioration in its working capital management.
- Improvement in profitability levels, thereby further improving company's debt coverage indicators.

### **All Covenants**

None

### **Liquidity Position: Adequate**

The company has adequate liquidity position marked by moderate net cash accruals against its maturing debt obligations. The company have generated net cash accruals of Rs.0.78 Crore as on 31st March 2023 against the debt repayment obligation of Rs.0.15 Crore in same period. The company is expected to generate sufficient net cash accruals against the debt repayment obligation in near to medium term. Furthermore, the cash and bank balance of the SEPPL stood at Rs.3.76 Cr as on March 31, 2023. The current ratio stood at 1.18 times as on March 31, 2023 which furthers provides liquidity support to the company.

Acuité believes that the liquidity of the firm will continue to remain adequate over the medium term on account of moderate cash accruals with moderate repayments over the medium term.

### **Outlook: Stable**

Acuité believes that SEPPL will maintain a 'Stable' outlook over the medium term on the back of promoters' extensive experience in the industry and long-standing relationships with its customers. The outlook may be revised to 'Positive' in case the firm registers higher-than expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working capital cycle.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	19.12	16.33
PAT	Rs. Cr.	0.50	0.56
PAT Margin	(%)	2.59	3.44
Total Debt/Tangible Net Worth	Times	1.03	0.23
PBDIT/Interest	Times	2.46	4.49

### 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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Jun 2023	Standby Line of Credit	Long Term	0.50	ACUITE BB (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	15.60	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Working Capital Demand Loan	Long Term	0.90	ACUITE BB (Downgraded and Issuer not co-operating*)
19 Apr 2022	Standby Line of Credit	Long Term	0.50	ACUITE BB+   Stable (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.60	ACUITE A4+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	0.90	ACUITE BB+   Stable (Reaffirmed)
21 Jan 2021	Working Capital Demand Loan	Long Term	0.92	ACUITE BB+   Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Proposed Standby Line of Credit	Long Term	0.48	ACUITE BB+   Stable (Assigned)
	Proposed Cash Credit	Long Term	3.00	ACUITE BB+   Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	10.60	ACUITE A4+ (Reaffirmed)
04 Dec 2020	Cash Credit	Long Term	5.00	ACUITE BB+   Stable (Upgraded from ACUITE BB   Stable)
	Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	15.60	ACUITE A4+   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.40	ACUITE BB   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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