



**Press Release**  
**SECON ENGINEERING PROJECTS PRIVATE LIMITED (ERSTWHILE SECON)**  
**March 04, 2025**  
**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
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of ‘**ACUITE BB**’ (read as **ACUITE double Ba**) 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 takes into account established track record of operations, experienced management and stable operating performance of SEPPL. The turnover of SEPPL stood moderate of Rs.25.98 Cr. in FY2024 with operating margins of 6.90 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 coverage ratios noted in FY2024 vis-à-vis FY2023. 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 as a partnership concern, Secon was 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 Engineering Solutions 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 company is a family run enterprise with second generation in the operations.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite 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. 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. Acuite believes that the established track record of operations and experienced management is expected to benefit the business risk profile of the company over the medium term.

#### **Moderate improvement in the Sales and profitability margin**

SEPPL has booked the revenue of Rs.25.98 crore in FY2024 as compared to Rs.19.12 crore in FY2023 with growth of 35.86 percent in revenue. SEPPL already reported Rs.22.24 Cr. in 10MFY2024. The EBITDA margin improved slightly and stood at 6.90 percent as on FY2024 as against 6.50 percent as on FY2023. Further they have an unexecuted order book position of Rs.68.65 crore as on 30th November 2024. The PAT margins stood at 2.26 per cent in FY2024 in comparison to 2.59 per cent in FY2023. The increase in the interest cost in FY2024 affected the PAT margin. Acuite believes that SEPPL will maintain a small but steady scale of operations over the medium term.

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

SEPPL financial risk profile is moderate, marked by a moderate gearing ratio and debt protection metrics and low Net worth. The net worth of the company stood at Rs.8.76 Cr. in the FY2024 against Rs.8.18 Cr. in the FY2023. From 1st April 2023, the partner's capital has been transferred to SEPPL from SECON. The total debt of Rs.6.04 Cr. as on March 31, 2024 against Rs.8.41 Cr. as on 31st March 2023. The debt-equity ratio stood at 0.69 times as on March 31, 2024 as against 1.03 times as on March 31, 2023. TOL/TNW (Total outside liabilities/Total net worth) stood at 1.45 times as on 31 March, 2024 against 2.32 times in previous year. NCA/TD (Net cash accruals to total debt) stands at 0.15 times in FY2024 as against 0.09 times in FY2023. The Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) deteriorated in FY2024 due to increase in interest cost. ICR & DSCR stood at 2.03 times and 1.31 times respectively in FY2024 as against 2.46 and 1.92 times respectively in the previous year. Acuite 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 working capital operations of the company is intensive marked by GCA days which stood at 237 days as on 31st March 2024 as against 412 days as on 31st March 2023. The inventory days of the company reduced and stood at 116 days as on 31st March 2024 as against 156 days as on 31st March 2023 and the debtor days stood stable at 32 days as 31st March 2024 as against 87 days as on 31st March 2023. The creditor days of the company stood low at 15 days as on 31st March 2024 against 6 days as on 31st March 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 industry.

#### **Rating Sensitivities**

- Movement in the scale of operations and profitability
- Movement in working capital operations

#### **Liquidity Position**

##### **Adequate**

The liquidity profile of the company is adequate. The company have generated net cash accruals of Rs.0.93 Crore as on 31st March 2024 against the debt repayment obligation of Rs.0.45 Crore in same period. The cash and bank balances of the SEPPL stood at Rs.0.31 Cr. as on March 31, 2024. The current ratio stood at 1.37 times as on March 31, 2024. The fund based utilized at an average of nearly 70.38 per cent non- fund based utilisation is 58.48 per-cent for the 6 months ending Jan 2025. Acuite believes that the liquidity of the firm will continue to remain adequate over the medium term on account of small but steady cash accruals with minimal debt repayments and moderate current ratio over the medium term.

#### **Outlook: Stable**

#### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	25.98	19.12
PAT	Rs. Cr.	0.59	0.50
PAT Margin	(%)	2.26	2.59
Total Debt/Tangible Net Worth	Times	0.69	1.03
PBDIT/Interest	Times	2.03	2.46

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

Not Applicable

**Interaction with Audit Committee anytime in the last 12 months (applicable for listed / proposed to be listed debt securities rated by Acuite)**

**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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
07 Dec 2023	Bank Guarantee/Letter of Guarantee	Short Term	15.60	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.40	ACUITE BB   Stable (Reaffirmed)
27 Jun 2023	Bank Guarantee/Letter of Guarantee	Short Term	15.60	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+   Stable)
	Working Capital Demand Loan (WC DL)	Long Term	0.90	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+   Stable)
	Stand By Line of Credit	Long Term	0.50	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+   Stable)
19 Apr 2022	Bank Guarantee/Letter of Guarantee	Short Term	15.60	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB+   Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	0.90	ACUITE BB+   Stable (Reaffirmed)
	Stand By Line of Credit	Long Term	0.50	ACUITE BB+   Stable (Reaffirmed)

**Annexure - Details of instruments rated**

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

## Contacts

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### About Acuité Ratings & Research

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