



Press Release
TRISQUA RE SWITCHGEA RS PRIV ATE LIMITED
April 24, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	35.00	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	65.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.65.00 Crore bank facilities of Trisquare Switchgears Private Limited. The Outlook is '**Stable**'.

Rationale for rating

The rating assigned factors in the established track record of operations and experienced management with more than two decades of experience in the manufacturing of electric control panels. Further, there is an improvement in the scale of operation as evident from turnover of the company which stood at Rs.152.01 Crore in FY23 against Rs.146.68 Crore in FY22. The improvement in the turnover is driven by monthly schedule and an addition of new customers in the portfolio. Further, the rating factors in the moderate financial risk profile marked with comfortable capital structure reflected by gearing ratio below unity as on 31st march 2023. However, the rating strengths are constrained by working capital intensive nature of operation reflected by higher GCA days which stood at 231 days in FY23 against 190 days in FY22. Further, these strengths are limited by the order driven operations' sensitivity and the operating margins' vulnerability due to change in input prices.

About the Company

Incorporated in 2004, Trisquare Switchgears Private Limited is based in New Delhi. It is engaged in manufacturing Electric Control Panel. The directors of the company are Mr. Nitin Mittal, Mr. Sameer Mittal and Mrs. Shikha Mittal.

Unsupported Rating

Not applicable.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Trisquare Switchgears Private Limited (TSPL) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and Established track record of operations

TSPL was incorporated in 2004. The directors of the company are Mr. Nitin Mittal, Mr. Sameer Mittal and Mrs. Shikha Mittal. The management is associated with the company for more

than two decades now. Having operated in industry since decades now, the management has established a strong network with suppliers and customers. TSPL has strong clientele

associated with them such as Adani Green Energy Limited, Tata Power Solar System Limited, Delhi Electric Co., Vedanta Limited, Dalmia Bharat Sugar and industries Limited and many more. Acuité believes that the established track record of TSPL along with extensive experience of the directors will help the company maintain stable relations with its customers and suppliers.

Improvement in the scale of operations

The company exhibited growth in the turnover of Rs.152.01 Crore in FY23 against Rs.146.68 Crore in FY22 and Rs.102.20 Crore in FY21. The growth in the turnover is on an account of executions of the orders received along with an addition of new customers in the portfolio. The EBITDA margins of the company remain stable in past three years which stood at 7.47% in FY23 against 7.19% in FY22 and 7.78% in FY21. Further, the PAT margins of the company stood at 3.33% in FY23 against 2.57% in FY22. Further, TSPL achieved the revenue of Rs.249.17 Crore in last eleven months ending February 2024. Going forward, the company is having an order book of approximately Rs.131 Crore which will be executed in two months. Further, the company is expected sharp growth in the top-line in near to medium term, wherein the company is going to start its fourth unit with an additional capacity of 10 MT per day, which will help company to fetch fixed revenue of Rs.20 Crore on monthly basis on 100% capacity utilization. The expected commercial date of operations is August 2024. Hence, company is expecting a growth of approximately 50%-60% in near to medium term as compared to FY24 which stood at Rs.282 Crore approximately.

Moderate Financial Risk Profile

The financial Risk profile of the company is moderate marked by net-worth of Rs.30.18 Crore as on 31st March 2023 against Rs.24.99 Crore as on 31st March 2022. The increase in the net-worth on an account of accretion of profits into reserves and treatment of unsecured loans as quasi equity. The total debt of the company stood at Rs.20.70 Crore as on 31st March 2023 against Rs.22.18 Crore as on 31st March 2022. The capital structure of the company is comfortable wherein the gearing ratio of the company is below unity which stood at 0.69 times as on 31st March 2023 against 0.89 times as on 31st March 2022. Further, the coverage indicators of the company have also improved reflected by interest coverage ratio and debt service coverage ratio of the company stood at 3.52 times and 2.24 times respectively as on 31st March 2023 against 3.52 times and 1.96 times respectively as on 31st March 2022. The TOL/TNW ratio of the company stood at 2.70 times as on 31st March 2023 against 2.64 times as on 31st March 2022 and the Debt-EBITDA of TSPL stood at 2.70 times as on 31st March 2023 against 2.64 times as on 31st March 2022. Acuite believes that financial risk profile of the company is expected to improve in near to medium term in the absence of any additional debt to be taken.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the company is intensive marked by elongated GCA days of 231 days as on 31st March 2023 against 190 days as on 31st March 2022. The GCA days are higher due to elongated inventory days wherein the company is required to maintain adequate inventory in the form of raw material and work in progress on the basis of large product portfolio which resulted into average inventory days of 157 days as on 31st March 2023 against 120 days as on 31st March 2022. The company offers average credit period of around 3 months resulting into collection days of 68 days as on 31st March 2023 against 61 days as on 31st March 2022. On the other hand, the creditor days of the company is elongated on an account of procurement of raw material due to long standing relationships with creditors resulted into average creditor days of 133 days as on 31st March 2023 against 82 days as on 31st March 2022. Further, the average fund based bank limit utilization of the company stood at 68.80% in last six months ended March 2024. Acuite believes that working capital operations of the company is expected to remain in the same range in near to medium term due to nature of operations as the conversion time from the raw material to

finished products takes 6 weeks to 8 weeks.

Raw material price volatility risk

The business works with extremely volatile raw materials such as steel, aluminium, copper, cables, switchgear, and electrical accessories. The aforementioned primary raw materials are extremely susceptible to changes in supply and demand.

Fragmented & competitive nature of the industry

Electrical equipment industry is highly fragmented, and the company faces competition from both organised and unorganised players in the industry.

Rating Sensitivities

- Increase in the scale of operations while maintaining its profitability.
- Any elongation of the working capital cycle leading to stretch in liquidity.

Liquidity Position

Adequate

The liquidity profile of the company is adequate. The company has generated net cash accruals of Rs.6.42 Crore as on 31st March 2023 against Rs.1.02 Crore in the same period. Going forward, the company is expected to generate net cash accruals under the range of Rs.15 Crore against the debt repayment obligation under the range of Rs.1.00 Crore in near to medium term. The current ratio of the company stood at 1.32 times as on 31st March 2023 against 1.33 times as on 31st March 2022. Further, the average fund based bank limit utilization of the company stood at 68.80% in last six months ended March 2024 giving sufficient legroom for growth capital. Also, the cash and bank balance of the company stood at Rs.3.66 Crore as on 31st March 2023 against Rs.3.13 Crore as on 31st March 2022. Further, the company's debt-equity position of 0.69 times in FY23 shows sufficient opportunity to manage funds for the capex (if any) without much compromising the comfortable capital structure of the company. Acuite believes that liquidity profile of the company is expected to improve in near to medium term in the absence of any major repayment obligations as the company is not planning to take any additional debt in near to medium term.

Outlook: Stable

Acuite believes that TSPL will maintain a 'Stable' outlook over the medium term owing to its experienced management, its long track record of operations and its moderate financial risk profile. 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 the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt funded capex leading to deterioration in its financial risk profile particularly its liquidity.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	152.01	146.68
PAT	Rs. Cr.	5.06	3.77
PAT Margin	(%)	3.33	2.57
Total Debt/Tangible Net Worth	Times	0.69	0.89
PBDIT/Interest	Times	3.52	3.52

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

TSPL tagged as reaffirmed and Issuer non cooperating from CARE at CARE BB+/Stable and CARE A4+ on the bank facilities of Rs.39.50 Crore dated 20/02/2024.

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

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
Punjab and Sind Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A3 Assigned
Punjab and Sind Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB- Stable Assigned
Punjab and Sind Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	01 Jun 2024	Simple	0.19	ACUITE BBB- Stable Assigned
Punjab and Sind Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2026	Simple	2.65	ACUITE BBB- Stable Assigned
Punjab and Sind Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2024	Simple	0.18	ACUITE BBB- Stable Assigned
Punjab and Sind Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2028	Simple	1.98	ACUITE BBB- Stable Assigned

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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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