



Press Release
STERLING AND WILSON PRIVATE LIMITED
July 30, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1653.61	ACUITE BB Stable Assigned	-
Bank Loan Ratings	476.39	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	2130.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ BB**' (read as **ACUITE double B**) and short-term rating of '**ACUITÉ A4+**' (read as **ACUITE A four plus**) on the Rs. 2130.00 Cr. bank facilities of Sterling and Wilson Private Limited (SWPL). The outlook is '**Stable**'.

Rationale for Rating

The rating assigned takes into account strong parentage of SWPL along with its improved financial risk profile. The company is a part of Shapoorji Pallonji Group and is engaged in multiple business verticals namely MEP services, substation and transmission lines, operation & maintenance services, hybrid energy division etc. The company in FY2024 initiated divesting its data centre division and as a part of this transaction received sale proceeds of Rs. 700 Cr in FY2024. The proceeds were utilised towards repayment of its term loan obligations in March 2024 and as on date, no major term loan is outstanding in the books of SWPL. The overall gearing improved to 0.64 times as on March 31, 2024 (Prov.) as against 1.07 times as on March 31, 2023 and 1.01 times as on March 31, 2022. The gearing is estimated to remain below unity over the near to medium term.

The rating however, is constrained by weak operating performance of SWPL. The company in FY2024 (Prov.) generated a revenue of Rs. 1791.43 Cr. as against Rs.1384.06 Cr. in FY23 and Rs. 2198.41 Cr. in FY22. The absolute EBITDA of the company stood at Rs. -116.15 Cr. in FY24(Prov.) compared against Rs. -443.80 Cr. in FY23 and Rs. -240.20 Cr. in FY22. Also, the EBITDA margin stood at -6.48% in FY24 (Prov.) as compared to -32.07% in FY23 and -10.93% in FY22. The operating performance in FY2024 has recorded a significant improvement vis-à-vis FY2023, though it continued to generate losses at operating level. The improvement is primarily driven by various cost efficiency measures undertaken by the company across its division, reduction in employee costs, downsizing of regional offices to reduce overhead costs etc. Also the company aims to bid for higher ticket size and higher margin orders which would aid it improve on its margins further. Acuite estimates the operating performance of the company to improve further in near to medium term.

The rating also takes note of significant exposure of the company in its loss-making subsidiary entities. However, the planned write off and estimated collection of receivables from these entities in the near to medium term is expected to improve the liquidity position of SWPL.

Going forward, the company's ability to turnaround its operating performance while maintaining its financial risk profile and liquidity position will remain a key rating monitorable.

About the Company

Incorporated in 1974, Mumbai based Sterling and Wilson Private Limited is an electromechanical engineering company providing MEP services. Other business verticals of the Company include substation and transmission lines, data center solutions, operation & maintenance services, and hybrid energy division. Currently Mr. Khurshed Yazdi Daruvala,

Mr. Zarine Yazdi Daruvala, Mr. Vinod Bhandawat, Mr. Umesh Narain Khanna and Mr. Vasanth Ramesan are the directors of the company. The company is promoted by Shapoorji Pallonji and Company Private Limited (66.33%), Mr. Khurshed Daruvala (33.18%) and other (0.49%).

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Sterling and Wilson Private Limited (SWPL) to arrive at the rating.

Key Rating Drivers

Strengths

Strong Parentage, long track record of operations and diverse product profile

Sterling and Wilson Private Limited (SWPL) is a part of Shapoorji Pallonji Group and is promoted by Shapoorji Pallonji and Company Private Limited (SPCPL) and Mr. Khurshed Daruvala. Established in 1927 as Wilson Electric Works, SWPL was incorporated in 1974. SWPL is an electro-mechanical engineering company providing MEP services. Other business verticals of the Company include substation and transmission lines, data center solutions, operation & maintenance services, and hybrid energy division. SWPL's diverse portfolio includes high voltage and low voltage electrical systems, HVAC systems, diesel generating sets (DG Sets), solar power generation, structured data cabling, integrated fire alarm system, security systems, etc. The company is under process and is expected to complete its divestment in the data center division in FY2025.

Average Financial Risk Profile

SWPL's financial risk profile remains average marked by average debt protection metrics albeit moderate net worth and relatively low gearing. The net worth of the company stood at Rs. 906.86 Cr. as on March 31, 2024(Prov.) compared against Rs.1083.44 Cr. as on March 31, 2023, and Rs. 1409.12 Cr. as on March 31, 2022. The gearing level of the company improve to 0.64x as on March 31, 2024(Prov.) as against 1.07x as on March 31, 2023, and 1.01x as on March 31, 2022. The company has a total debt of Rs. 576.65 Cr. as on March 31, 2024 (Prov.) as against Rs.1159.42 Cr. as on March 31, 2023, and Rs.1417.48 Cr. as on March 31, 2022. SWPL received Rs.700.00 Cr. from selling off their data centre unit and used these proceeds to pay off the debt in FY24. Furthermore, the debt protection matrices of the company improved with interest-coverage-ratio and debt-service- coverage-ratio of 0.20 times and 0.03 times for FY24(Prov.) as against -2.46 times and -2.53 times in FY23 respectively. Also, the debt to EBITDA of the company stood at 18.31x for FY24(Prov.) as against -3.32x for FY23 and 4.78 in FY22.

Weaknesses

Weak Operating Performance albeit expected improvement in near to medium term

The company in FY2024 (Prov.) generated a revenue of Rs. 1791.43 Cr. as against Rs.1384.06 Cr. in FY23 and Rs. 2198.41 Cr. in FY22. The absolute EBITDA of the company stood at Rs. -116.15 Cr. in FY24(Prov.) compared against Rs. -443.80 Cr. in FY23 and Rs. -240.20 Cr. in FY22. Also, the EBITDA margin stood at -6.48% in FY24 (Prov.) as compared to -32.07% in FY23 and 10.93% in FY22. The operating performance in FY2024 has recorded a significant improvement vis-à-vis FY2023, though it continued to generate losses at operating level. The improvement is primarily driven by various cost efficiency measures undertaken by the company across its division, reduction in employee costs, downsizing of regional offices to reduce overhead costs etc. Also, the company aims to bid for higher ticket size and higher margin orders which would aid it to improve on its margins further. Driven by these measures, the operating profitability of the company is estimated to improve in the near to medium term. The company's total outstanding unexecuted orderbook value as on March, 2024 stood at Rs. 2545.50 Cr, which provides near term revenue visibility.

SWPL's net profit (PAT) stood at Rs. -150.53 Cr. in FY24(Prov.) as against Rs. -559.41 Cr. in FY23 and Rs 121.21 Cr. in FY22. Also, the PAT margin stood at -8.40% in FY24 as against -40.42% in FY23 and 5.51% in FY22. The reduction in FY2024 losses is driven by increased other income. The other income majorly constitutes of interest income on loans to subsidiary and other related parties and write back of provision for bad and doubtful debts. Going forward, the company's ability to improve on its profitability levels while maintaining its scale of operations will be a key rating monitorable.

High exposure towards subsidiary entities

The company as on March 31, 2024 (Prov.) had a total exposure of Rs.1582.15 Cr towards its subsidiary entities, which are largely loss making, in the form of loans and advances or investments. This exposure is estimated to be written down by ~Rs.700 Cr in FY2025 and a significant proportion of balance exposure is estimated to be written off/received back by FY2026.

Working Capital intensive operations

SWPL's working capital operations continue to be intensive marked by Gross Current Asset days (GCA) of 600 days for FY24(Prov.) as against 918 days for FY23 and 722 days in FY22. While the inventory level stood low over the last three years ended March 31, 2024 (prov.), the receivables days stood at 207 days for FY24(Prov.) as against 295 days for FY23 and 228 days in FY22. The improvement in receivable days is majorly on account of improved collection efficiency from its projects. The creditor days stood at 260 days in FY24 as against 258 and 242 in FY23 and FY22 respectively.

Rating Sensitivities

- Improvement in scale of operation and profitability margins while maintaining the capital structure and liquidity position.
- Elongation of the working capital cycle.
- Reduction in exposure towards its loss-making subsidiary entities.

Liquidity Position Stretched

SWPL has stretched liquidity position marked by insufficient net cash accruals against its maturing debt obligation. The company had a negative net cash accrual of Rs. -132.97 Cr. in FY24(Prov.) as against the maturing debt obligation of Rs. 748.00 Cr. during the same period. SWPL was able to service its debt repayment obligations of Rs. 748.00 Cr. in March 2024 in a timely manner. The gap was funded through sale proceeds of data centre division. The company is expected to generate a net cash accrual of ~Rs. 47 to ~Rs. 135 Cr. over the medium term against the negligible maturing debt obligation during the same period. The company has cash and cash equivalents of Rs. 28.14 Cr. as on 31st March 2024 (Prov.).

Outlook: Stable

Acuité believes that SWPL will maintain a 'Stable' outlook over the medium term owing to its experienced management, long track record of operations and improved financial risk profile. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues and profitability from the current levels and reduction in exposure towards its loss making subsidiary entities. 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 due to further pile up of receivables leading to deterioration in its financial risk profile and liquidity or increase in exposure towards its loss making subsidiaries.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	1791.43	1384.06
PAT	Rs. Cr.	(150.53)	(559.41)
PAT Margin	(%)	(8.40)	(40.42)
Total Debt/Tangible Net Worth	Times	0.64	1.07
PBDIT/Interest	Times	0.20	(2.46)

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>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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
03 May 2021	Commercial Paper Program	Short Term	400.00	ACUITE A3 (Downgraded & Withdrawn from ACUITE A1+)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
IDBI Bank Ltd.	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	123.00	ACUITE BB Stable Assigned
DBS Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE BB Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	95.00	ACUITE BB Stable Assigned
IDFC First Bank Limited	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	52.80	ACUITE BB Stable Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	39.00	ACUITE BB Stable Assigned
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	37.57	ACUITE BB Stable Assigned
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.50	ACUITE BB Stable Assigned
RBL Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BB Stable Assigned
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	651.00	ACUITE BB Stable Assigned
Exim Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	200.00	ACUITE BB Stable Assigned
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	126.54	ACUITE BB Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BB Stable Assigned
IDFC First Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BB Stable Assigned

Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	76.00	ACUITE BB Stable Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	24.00	ACUITE BB Stable Assigned
IDBI Bank Ltd.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE BB Stable Assigned
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.05	ACUITE BB Stable Assigned
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BB Stable Assigned
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	224.00	ACUITE A4+ Assigned
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	29.46	ACUITE A4+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	116.15	ACUITE BB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	153.93	ACUITE A4+ Assigned
DBS Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	21.00	ACUITE BB Stable Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE A4+ Assigned
IDBI Bank Ltd.	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE A4+ Assigned
DBS Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	54.00	ACUITE A4+ Assigned

***Note:**

- There is a one-way interchangeability from Letter of credit limit of Rs. 224.00 Cr. to Bank Guarantee limit for Union Bank of India.
- Bank guarantee facility and the letter of credit facility are fully interchangeable

for State Bank of India.

- The Cash credit limit of Rs. 76.00 Cr. from Union Bank of India includes a sub limit of Rs. 46.00 Cr. as working capital demand loan (WCDL).
- The Cash credit limit of Rs. 12.00 Cr. from ICICI Bank includes a sub limit of Rs. 12.00 Cr. working capital demand loan (WCDL).
- The working capital demand loan (WCDL) limit of Rs. 6.00 Cr. from IndusInd Bank includes a sub limit of Rs. 2.40 Cr. as Cash credit.

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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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