

Pragati Electricals Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	10.00	SMERA BB/Stable (Assigned)
Bank Guarantee	2.50	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (**read as SMERA double B**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.12.50 crore bank facilities of Pragati Electricals Private Limited (PEPL). The outlook is '**Stable**'.

The ratings derive comfort from the extensive industry experience of the promoters and their healthy relations with customers and suppliers. The ratings also factor in the above average financial risk profile.

However, the ratings are constrained by fluctuations in operating income, stable operating and PAT margins and susceptibility of profitability to volatility in raw material prices.

PEPL, incorporated in 1975, is engaged in the manufacture of medium and high voltage transformers. The company benefits from its experienced management. Mr. Prakash P. Gune (Managing Director) possesses over 25 years of experience in the electrical industry. The financial risk profile of PEPL is above average marked by gearing of 0.78 times as on March 31, 2016 as compared with 0.86 times as on March 31, 2015. The revenues increased from Rs.55.94 crore in FY2014-15 to Rs.66.75 crore in FY2015-16.

However, the company's debt protection metrics has deteriorated as ICR stood at 1.89 times in FY2015-16 as compared to 2.31 times in FY2014-15. The company registered moderate compounded annual growth rate (CAGR) of 3.01 per cent from FY2013-14 to FY2015-16. The operating margins have remained stable at 6.02 per cent in FY2014-15 and 6.05 per cent in FY2013-14. The PAT margins stood at 0.39 per cent in FY2015-16 as compared to 0.64 per cent in FY2014-15. Besides, PEPL's profits are exposed to volatility in raw material prices as prices of copper wires and cables used in electrical equipment are volatile in nature.

Rating Sensitivity Factors

- Sustainable and substantial growth in revenues with improvement in profitability
- Volatility in raw material prices impacting profitability
- Improvement in the financial risk profile

Outlook-Stable

SMERA believes that PEPL will maintain a stable outlook in the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also maintaining operating profitability and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded capex or working capital requirements.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

PEPL was established in 1975, by Mr. Prakash P. Gune (Managing Director) and Mr. Prashant Gune (Joint Managing Director), electrical engineers with over two decades of experience in design and manufacturing of instrument transformers. The manufacturing facilities are located at Thane and Navi Mumbai.

The company has a reputed list of clients. These include switchgear manufacturers such as Siemens, ABB, BHEL, Alstom and power utility companies like Tata Power, Bombay Suburb Electricity Supply (BSES), Brihanmumbai Electricity Supply and Transport (BEST) to name a few.

In FY2015-16, the company reported profit after tax (PAT) of Rs.0.26 crore on operating income of Rs.66.75 crore against PAT of Rs.0.36 crore on operating income of Rs.55.95 crore in the previous year.

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ABOUT SMERA

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