

Press Release

Shiv Electricals (SE)

23 January, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.8.19 Cr
Short Term Rating	SMERA A4+ (Reaffirmed)

**Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed the rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the above mentioned bank facilities of Shiv Electricals (SE).

SE, incorporated in 1992, is a Noida-based EPC contractor. The firm undertakes installation, setting-up of power sub-stations, laying of transmission lines and supply of electrical equipment for government authorities and municipal corporations. The firm bids for tenders floated by Noida Authority (NA), Greater Noida Industrial Development Authority (GNIDA), Paschimanchal Vidyut Vitran Nigam Ltd (PVVNL) and local government bodies.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced management: SE, incorporated in 1992, is a Noida-based EPC contractor. The promoters, Mr. Raj Kumar, Mr. Pankaj Goel and Mr. Uma Shankar Panday have more than two decades of experience in the EPC (Engineering, Procurement and Construction) industry.

Moderate financial risk profile: SE has moderate financial risk profile marked by comfortable gearing of 0.69 times in FY2015-16 against 0.23 times in FY2014-15. The interest coverage ratio is comfortable at 6.30 times in FY2015-16 against 3.31 times in FY2014-15. The operating margin has improved to 4.48 per cent in FY2015-16 against 3.95 per cent in FY2014-15. The profit margin stood at 5.23 per cent in FY2015-16 against 3.24 per cent in FY2014-15.

Weaknesses:

Modest scale of operations: SE has modest scale of operations of Rs.13.87 crore in FY2015-16 against Rs.9.31 crore in FY2014-15.

Geographical concentration risk and tender based business: Since the firm's operations are limited to western Uttar Pradesh (Ghaziabad, Bulandsahar, Noida, Greater Noida and Hapur) it is exposed to geographical concentration risk. The firm bids for tenders floated by Noida Authority (NA), Greater Noida Industrial Development Authority (GNIDA), Paschimanchal Vidyut Vitran Nigam Ltd (PVVNL) and local government bodies.

Intense competition: The firm faces intense competition in the industry impacting its operating performance and profitability.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the firm.

Applicable Criteria

- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

About the Rated Entity

Shiv Electricals, incorporated in 1992, is a Noida-based partnership firm established by Mr. Raj Kumar, Mr. Pankaj Goel and Mr. Uma Shankar Panday. The firm undertakes EPC contracts and caters to government authorities and local municipal corporations.

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.73 crore on operating income of Rs.13.87 crore, as compared with PAT of Rs.0.30 crore on operating income of Rs.9.31 crore in FY2014-15. The net worth stood at Rs.4.35 crore as on March 31, 2016 against Rs.4.68 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Bank Guarantee	ST	6.70	SMERA A4+ (Reaffirmed)	-	-	10 Sep, 2015	SMERA A4+ (Assigned)	-	-
Proposed Short Term	ST	1.49	SMERA A4+ (Reaffirmed)	-	-	10 Sep, 2015	SMERA A4+ (Assigned)	-	-

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Bank Guarantee	N.A	N.A	N.A	6.70	SMERA A4+ (Reaffirmed)
Proposed Short Term	N.A	N.A	N.A	1.49	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Mr. Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Mr. Pradeep Bharti, Rating Analyst, Tel: 011-49731301 Email: pradeep.bharti@smera.in	

ABOUT SMERA

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