



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Satkartar Electricals and Electronics Private Limited

February 24, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned
1	Bank Facilities- Long Term	3.50	IVR BB/Stable Outlook (IVR Double B with Stable Outlook)
2.	Bank Facilities- Short Term	8.00	IVR A4 (IVR A four)
	Total	11.50	

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Satkartar Electricals and Electronics Private Limited (SEEPL) derives comfort from its experienced promoters with long track record of operations, reputed clientele, revenue visibility on the back of strong order book position and its average financial risk profile. The rating strengths are partially offset by its small scale of operations, competitive nature of the industry and stretched operating cycle.

Key Rating Sensitivities

Upward factors

Sharp increase in scale of operation with improvement in profitability on a sustained basis

Improvement in the net worth base and capital structure

Improvement in operating cycle

Downward factors

Moderation in total income and/or profitability

Deterioration in capital structure

Elongation in the operating cycle

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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with satisfactory track record of operation

The promoters has vast experience in execution of electrification project since 1962 through their proprietorship firm Satkartar Electricals. Moreover, the company being established in 2005, also has more than a decade long experience.

Reputed clientele

The company caters to many well-known real estate players across Delhi-NCE region. Further, long standing presence of the promoters in the industry also supports the company to cater and have established relationship with its clientele.

Revenue visibility on account of strong order book position

SEEPL has an order book of Rs.171.79 Cr as on January 03, 2020 (5.3 times of its FY19 revenue) which are to be executed within FY23. Presence of a healthy order book indicates a near to medium term revenue visibility.

Average financial risk profile

The financial risk profile of the company remained average marked by its moderate gearing ratio and healthy debt protection metrics. The debt profile of the company mainly comprised working capital borrowings due to its working capital intensive nature of operations. Moreover, the debt profile includes unsecured loans from the directors with no repayment schedule. With no long term debt in the capital structure, the overall gearing ratio stood moderate at 1.43x as on March 31, 2019. Further, total indebtedness of the company as reflected by TOL/TNW stood high at 4.45x as on March 31, 2019 (improved from 7.34x as on March 31, 2018). However, the debt protection metrics of the company remained satisfactory with an interest coverage at 4.59x and total debt to GCA at 1.25 years in FY19.

Key Weaknesses

Small scale of operations

The company has a small scale of operation with a PAT of Rs.1.39 crore on a total operating income of Rs.32.5 crore. Small scale of operations restricts the financial flexibility of the

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company. Notwithstanding its small scale of operations the company has achieved a healthy y-o-y growth of ~160% in FY19 as compared to FY18. Moreover, the profit margins of the company remained satisfactory. During H1FY20, the company has achieved a revenue of Rs.12.39 crore.

Competitive nature of the industry

The electrical contracting industry is highly crowded with presence of many players with varied statures & capabilities. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the sustenance and healthy growth of the industry.

Stretched operating cycle

SEEPL has stretched operating cycle on account of high inventory as company purchases various components (Such as transformers) in bulk to get the discount and also company has to keep inventory for various projects. SEEPL has reported inventory period of 120 days as on 31 March, 2019 (against 125 days in FY18). SEEPL operating cycle stood at 96 days as on 31 March, 2019 (against 125 days in FY18). However the average utilization of the cash credit limits for the past 12 months ended on December, 2019 stood satisfactory at ~ 73%.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity profile of the company is expected to remain adequate marked by its healthy projected cash accrual vis -a- vis its negligible debt repayment obligations in the next two fiscals. The company has availed only short term facilities for its working capital requirements and has no debt raising plans in the near term. Further, the average cash credit utilisation of the company during the past 12 months ended December, 2019 remained at ~73% indicates a moderate liquidity buffer. However, the liquidity profile of the company is restricted due to its high operating cycle due to high maintenance of inventory.



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About the Company

Incorporated in year 2005, Satkartar Electricals and Electronics Private Limited (SEEPL) is engaged in the business of implementation of turnkey projects, electrification services such as transformer installation, wiring and electrical component fitting to real estate sector. SEEPL remained dormant for years and started its commercial operations from April, 2017. Prior to incorporation of SEEPL, promoters were engaged in execution of electrification projects through proprietorship firm, Satkartar Electricals (SE) catering to the projects at various locations namely- Lucknow, Ajmer, Panipat. However, SEEPL has its main focus in National Capital Region due to high demand of electrification projects from the real estate sector in this region.

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	12.48	32.50
EBITDA	0.76	2.38
PAT	0.48	1.39
Total Debt	3.98	4.82
Tangible Net worth	1.97	3.36
EBITDA Margin (%)	6.08	7.32
PAT Margin (%)	3.78	4.27
Overall Gearing Ratio (x)	2.02	1.43

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Issuer not cooperating by CRISIL vide press release dated February 26, 2019 due to non-availability of information.

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Cash Credit	Long Term	3.50	IVR BB/Stable	-	-	-
2.	Short Term Non-Fund Based Limits –Bank Guarantee	Short Term	8.00	IVR A4	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	3.50	IVR BB/Stable
Short Term Bank Facilities- Bank Guarantee	-	-	-	8.00	IVR A4