

**Press Release**

**Truvolt Engineering Co. Private Limited**

**February 10, 2020**

**Ratings**

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>
Long Term Bank Facilities	15.00	IVR BB- /Stable (IVR Double B Minus with Stable Outlook)	Reaffirmed
Long Term/Short Term Bank Facilities	14.00	IVR BB - /Stable /IVR A4 (IVR Double B Minus with Stable Outlook/IVR A Four)	Reaffirmed
<b>Total</b>	<b>29.00</b>		

**Details of Facilities are in Annexure 1**

**Detailed Rationale**

The aforesaid ratings assigned to the bank facilities of Truvolt Engineering Co. Private Limited (TECPL) continues to remain tempered by its small scale of operations with thin profit margin, susceptibility of profitability to volatile input prices, weak debt protection metrics expected moderation in the capital structure and elongated operating cycle. However, the ratings are underpinned by its experienced promoters with long track record of operations, established clientele and moderate revenue visibility.

**Rating Sensitivities**

**Upward Factor:**

- Growth in scale of operations with improvement in profitability leading to an improvement in liquidity on a sustained basis
- Sustenance of the capital structure
- Improvement in the operating cycle

**Downward factor:**

- Any deterioration in scale of operation or moderation in profitability affecting the liquidity on a sustained basis
- Further elongation of operating cycle
- Moderation in the capital structure with deterioration in overall gearing to more than 2x

## **Infomerics Valuation And Rating Pvt. Ltd.**

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

- **Experienced promoters with long track record**

TECPL has been in manufacturing of various transformers for over 46 years and has made a modest presence in the sector. The company is presently managed by a team of experienced professionals guided by a three member Board of Directors headed by Mr. Rajesh Ghosh (MD) having more than three decades of experience in this industry.

- **Established Clientele**

Over the years of its operation, TECPL has created an established clientele base which includes various Government, Semi Government and Private Organizations. However, top five customers contribute about 82% of its sales in FY19 indicating a customer concentration risk.

#### **Key Rating Weaknesses**

- **Small scale of operations**

Despite its long track record of operations, the scale of operations of the company remained modest in the past three fiscal due to subdued order flow during the period. The total operating income continued to remain small and stood at Rs.57.10 crore in FY19. Further, during 9MFY20, the company has achieved a total operating income of Rs.44.11 crore.

- **Susceptibility of profitability to volatile input prices**

The main raw materials for the company are Copper, Aluminium, Lamination products, Steel, Transformer Oil, various stores and spares. The prices of these materials are highly volatile in nature and accordingly the profitability of the company is exposed to such fluctuations.

- **Thin profit margin**

The EBIDTA margin of the company remained moderate over the past years and improved marginally from 8.00% in FY18 to 10.12% in FY19. However, the company incurred net loss in FY19 due to high interest cost attributable to its leveraged capital structure. However, there were no cash loss and the company earned cash accruals of Rs.0.33 crore in FY19.

- **Elongated operating cycle**

The operating cycle of the company remained high over the past years. The elongated operating cycle was mainly due to its high inventory days mainly attributable to its high work

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in progress days (start to finish period of about 6 to 9 months) along with high raw material inventory holding period. Further, high average collection period also affected the situation. The company stretched its creditors to support its high working capital requirements.

- **Weak debt protection metrics with expected moderation in the capital structure**

The capital structure of the company has improved as on March 31, 2019 with a long term debt equity ratio of 0.44x and the overall gearing ratio of 1.13x as against 1.02x and 2.25x as on March 31, 2018 driven by lower debt level along with accretion of profit to net worth. However, the same is expected to deteriorate as on March 31, 2020, with expected increase in unsecured loan and bank borrowings. The interest coverage ratio of the company remained moderate over the past years. However, the Total debt to GCA remains high due to its low cash accruals and leveraged capital structure.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

**Liquidity: Stretched** - The liquidity position of the company is stretched marked by its low cash accruals attributable to its thin profit margin with high average utilisation of fund based limits of ~99.98% during the past 12 months ended January 2020. The liquidity of the company is expected to improve with adequate cash accruals in FY20 and with no planned capex or availment of long-term debt.

**About the Company**

Truvolt Engineering Co. Private Limited (TECPL) was initially established as a proprietorship concern by Late Mr. S.K. Ghosh of Kolkata, West Bengal. In 1970, the erstwhile proprietorship concern was converted to a Private Limited Company with its present name. TECPL is engaged in manufacturing of a wide range of transformers. Apart from transformers, TECPL is the largest manufacturer of Crematorium Furnaces in the country. TECPL also manufactures control & relay panels for coal fields, automatic voltage regulating transformers, pollution control incinerator for solid waste management and also undertakes design, supply, and execution of 132 KV sub-station on turnkey basis. The company mainly caters to the domestic market along with exporting of transformers to

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countries like Nepal, Bangladesh, Bhutan, Zambia, Kenya, Nigeria, Ethiopia, Saudi Arabia and Iraq. Presently, Mr. Rajesh Ghosh [Son of Mr. S.K. Ghosh] is the Managing Director of the Company. Mr. Rajesh Ghosh joined the business in 1990 and has gained considerable experience in this segment.

### Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	56.11	57.10
EBITDA	4.49	5.78
PAT	0.64	-0.09
Total Debt	25.65	21.43
Tangible Net worth	11.39	18.97
EBITDA Margin (%)	8.00	10.12
PAT Margin (%)	1.13	-0.15
Overall Gearing Ratio (x)	2.25	1.13

\*Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Nil

### 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 Facilities- Cash Credit	Long Term	15.00	IVR BB- / Stable Outlook	IVR BB- / Stable Outlook (August 23, 2018)	-	-
2.	Long Term/Short Term Bank Facilities – BG/LC	Long/Short Term	14.00	IVR BB - /Stable /IVR A4	IVR BB - /Stable /IVR A4 (August 23, 2018)	-	-

**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](http://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	-	-	-	15.00	IVR BB - / Stable Outlook
Long Term/Short Term Bank Facilities – BG/LC	-	-	-	14.00	IVR BB - / Stable Outlook/IVR A4