



Press Release

Sharvari Electricals

April 24, 2021

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Fund Based Facility – Cash Credit	2.50	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Assigned
2.	Short Term Non-Fund based Facility – Bank Guarantee and Letter of Credit	17.00	IVR A4+ (IVR A Four Plus)	Assigned
Total		19.50		

Ratings

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Sharvari Electricals derives comfort from its experienced proprietor along with long track record of operation, reputed client base with proven project execution capabilities, growing scale of operation, and healthy capital structure. However, the rating strengths are partially offset by working capital intensive nature of operation, tender based nature of operation along with competition faced in the industry and geographical concentration risk.

Key Rating Sensitivities

Upward Factors

- Substantial & sustained growth in scale of operations with improvement in profitability.

Downward Factors

- Elongation in working capital cycle
- Any deterioration in liquidity profile on a sustained basis and/or elongation of working capital cycle leading to moderation in the capital structure with deterioration in overall gearing.



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Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Proprietor with proven long track record of operation:

Sharvari Electricals undertakes electrical work contracts and has been in the business since 2005. The firm benefits from its experienced promoter, Mr. Ganesh Rathod who possesses over 15 years of experience in the electrical engineering business. With the extensive experience of the proprietor and established relationship has helped the firm in maintaining regular flow of orders.

Reputed clientele with proven project execution capability:

Over the years, the firm has successfully completed numerous government projects across the state of Maharashtra and Gujarat. The firm has major focus in executing power substation projects followed by transmission lines and towers. The firm bids for tenders floated by governmental bodies, where Sharvari Electricals primary undertakes works for projects for Government of Maharashtra and caters to reputed clients like Maharashtra State Electricity Transmission Co. Ltd, Public Works Department (Government of Maharashtra), Tata Power Solar System Ltd, etc. reducing counterparty risk.

Growing scale of operations:

The firm has comfortable unexecuted order book which stood at ~INR85 Crore as on February 2021, to be executed by FY22 providing revenue visibility over near term. The operating income has improved to INR54.71 Crore in FY20 from INR37.80 Crore in FY19, y-o-y revenue grew by ~44% to with a CAGR of ~ 22% (FY18-FY20). In 9MFY21 operating income of ~INR21.47 Crore was being recorded as compared to ~INR30.94 Crore in 9MFY20, decline in 9MFY21 results was due to lockdown announced in the mid-March, 2020 with which the activities were at abeyance for almost 45-50 days. Furthermore EBITDA and PAT margins has shown improvement in 9MFY21 as compared to 9MFY20 with reduction in cost base. Profitability of the firm reflected by EBITDA margin and PAT margin has been standing at 11.38% and 8.81% in FY20 and 12.90% and 9.84% in FY19 (EBITDA margin was 19.86% in 9MFY21 as compared to 7.82% in 9MFY20). Moving forward, by FY22 the firm overall operating income and profitability is expected to improve.



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Healthy capital structure:

Sharvari Electricals has a moderate net worth which stood at INR12.40 Crore as on March 31, 2020. The firm has maintained a healthy long term debt equity ratio and overall gearing ratio of 0.16 and 0.35 respectively as on March 31, 2020. The total indebtedness of the firm as reflected by TOL/TNW stood as 1.72x as on March 31, 2020.

Key Rating Weaknesses

Working capital intensive nature of operation:

The firms operations are working capital intensive marked by higher average creditor days with increasing credit purchases on account of increasing order book size y-o-y basis. However, with the increasing order the amount of deposit maintained with the government body in the form of retention money had also increased. Average credit period got increased to 106 days in FY20 (FY18: 40 days and FY19: 104 days). Further inventory holding period got improved in FY20 as compared to FY19 (FY19: 34 days and FY20: 17 days)

Tender-based nature of operations with intense competition in the industry:

The domestic electrical engineering sector is highly crowded with presence of many players with varied statures & capabilities. Further, firms receives 90% of its work orders from government departments through tenders floated by the departments.

Geographical concentration risk:

The firms order book is geographically concentrated across Maharashtra (contributes to ~99% of orders), followed by Gujarat (~1%). However, most of the projects in order books orders are from the construction of turnkey projects along with Erection, Testing & Commissioning of Turnkey Electricals Projects (Substations, Transmission Line and Transmission Towers). However, the concentrated order book leads to efficient monitoring which is reflecting in timely execution of the projects & lower receivable days.



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Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

The liquidity ratios of the firm remained healthy with the current ratio at 1.45x and the quick ratio at 1.42x as on March 31, 2020. The firm is expected to generate sufficient cash accruals on the back of steady increase in operations as against the scheduled debt repayment. The firm's utilization of the bank limits was ~55% over the last 12 months ended on January, 2021. The firm has cash & cash equivalent balance of INR2.30 Crore(cash balance) as on March 31, 2020. Liquidity is expected to remain Adequate.

About the firm-

Sharvari Electricals (SE) started in 2005 as a proprietorship concern by Mr. Ganesh Rathod. The concern is registered A+ electrical contractor, Government of Maharashtra with administrative office located at Aurangabad, Maharashtra. The concern is acting as an electrical contractor, engaged in planning, designing, installation, commissioning, inspection, erection, testing, maintenance, modification or repair, supply of materials, etc of various electrical projects. Sharvari Electricals in an emerging Electrical Engineering organization in field of Supply, Erection, Testing & Commissioning for Turnkey Electricals Projects. The firm started business in the field of EHV Electrical Transmission sector in 2009. The firm undertakes 90% Government Projects, which are Tender based and balance 10% comprises of private players. The minimum voltage line installed is of 132 KVA and maximum not exceeding 700 KVA (voltage ranging from 500 to 700 pertains with intra state installation)

Financials: Standalone

(Rs. crore)		
For the year ended/ As On	31-03-2019	31-03-2020
	(Audited)	(Audited)
Total Operating Income	37.80	54.71



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EBITDA	4.88	6.23
PAT	3.72	4.82
Total Debt	2.84	4.38
Tangible Net-worth	8.91	12.40
Ratios		
EBITDA Margin (%)	12.90	11.38
PAT Margin (%)	9.84	8.81
Overall Gearing Ratio (x)	0.32	0.35

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:NA

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	2.50	IVR BB+/Stable Outlook	--	--	--
2.	Bank Guarantee	Short Term	15.00	IVR A4+	--	--	--
4.	Letter of Credit	Short Term	2.00	IVR A4+	--	--	--

Status of non-cooperation with previous CRA: : CRISIL Ratings in its press release dated July22, 2020 has migrated the rating of the bank facilities of Sharvari Electricals to "Issuer Not Cooperating" category.

Any other information: N.A

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. 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 I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based - Term Loan	-	-	Revolving	2.50	IVR BB+/Stable Outlook
Short Term Non-Fund Based –Bank Guarantee	-	-	-	15.00	IVR A4+
Short Term Non-Fund Based –Letter of Credit	-	-	-	2.00	IVR A4+

Annexure II: Facility wise lenders details

<https://www.infomerics.com/admin/prfiles/Lenders-Sharavari-24-04-21.pdf>