



## Press Release

### SJ Transformers LLP

January 24<sup>th</sup>, 2024

#### Ratings

| Instrument/<br>Facility       | Amount<br>(Rs.<br>Crore) | Ratings                                                      | Rating<br>Action | <a href="#">Complexity<br/>Indicator</a> |
|-------------------------------|--------------------------|--------------------------------------------------------------|------------------|------------------------------------------|
| Long Term Bank<br>Facilities  | 3.00                     | IVR BB- / Stable (IVR double<br>B minus with Stable Outlook) | Assigned         | Simple                                   |
| Short Term Bank<br>Facilities | 25.00                    | IVR A4 (IVR A Four)                                          | Assigned         | Simple                                   |
| <b>Total</b>                  | <b>28.00</b>             | <b>(Rupees Twenty-five crore Only)</b>                       |                  |                                          |

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of SJ Transformers LLP draw comfort from its Extensive Experienced promoters and healthy order book. However, these rating strengths are partially offset by Moderate scale of operation and capital structure, Working capital Intensive industry, Susceptibility of operating margin to volatile input prices, and Exposed to risk of capital withdrawals.

#### Key Rating Sensitivities:

#### Upward Factor:

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with improvement in debt protection metrics

#### Downward factor:

- Dip in operating income and/or profitability impacting the debt coverage indicators
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position

#### List of Key Rating Drivers with Detailed Description



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### Key Rating Strengths

#### Extensive Experienced promoters

SJTL It is owned by Mr. Saransh Jain, Mr. Sanjog Jain and Mr. Vinod Behari Jain. Mr. Vinod Behari Jain is having more than 4 decades of experience and others having around three decades of experience in the EPC industry that has given them an understanding of the dynamics of the market and industry. They are well supported by team of experienced professionals in the 2nd tier management which helps in smooth and easy functioning of the business. Hence, firm has been able to establish relationships with its suppliers and customers.

#### Healthy Order Book

SJ Transformers LLP is having unexecuted order book of Rs. 284.27 crore as on 31<sup>st</sup> December'23, which is 14.90 times of FY23 TOI. The unexecuted order book is expected to execute before June'25. Further, there is no delay in any project execution and no penalty levied on SJTL.

### Key Rating Weaknesses

#### Moderate scale of operation

The total operating income of the company registered a growth of 3.31% in FY23 from Rs. 20.50 crore in FY22 to Rs. 21.83 Crore in FY23. The company witnessed increase in its operating income in FY23 due to higher execution of orders, getting from EPC sector. The EBITDA decreased from Rs. 4.74 crore in FY22 to Rs. 3.35 crore in FY23. EBITDA margin decreased by 779 bps and stood at 15.32% in FY23 as against 23.11% in FY22. EBITDA Margin decreased due to lower margins earned on executed projects. PBT and PAT has also decreased from Rs 5.82 crore and Rs 4.08 crore in FY22 to Rs 3.78 crore and Rs. 2.64 crore respectively in FY23. The PAT margin decreased by 680 BPS and stood at 11.49% in FY23 as against 18.29% in FY22, in line with EBITDA margin. Gross cash accruals stood at Rs. 2.85 crore in FY23 as against Rs. 4.27 crore in FY22.

#### Moderate capital structure



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The capital structure remained moderate as on March 31, 2023. The long-term debt to equity and overall gearing stood at 0.03x and 0.23x respectively as on March 31, 2023 as against 0.02x and 0.02x respectively as on March 31, 2022. The indebtedness of the company as reflected by TOL/TNW improved from 0.72x as on March 31, 2022, to 0.63x as on March 31, 2023, due to decrease in Creditors. Interest coverage ratio stood at 10.01x in FY23 as against 10.79x in FY22. Total debt to GCA stood at 1.45 years in FY23 as against 0.11 years in FY22.

### **Working capital Intensive industry**

SJTL's operating cycle stood negative at (237) days in FY22 and improved to (81) days in FY23 due to a decrease in collection period from 167 days in FY22 to 89 days in FY23 with a increase in scale of operations. EPC industry required to extend long credit period. Furthermore, due to its business need, it holds large work in process & inventory. Efficient management of working capital cycle will remain key monitorable over the medium term.

### **Susceptibility of operating margin to volatile input prices**

The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including subcontracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost. However, presences of escalation clause (for raw materials) in most of the contracts protect the margin to an extent.

### **Exposed to risk of capital withdrawals**

SJ Transformers LLP is a limited liability partnership firm and any significant withdrawals from the capital account by partners could impact its net worth and hence, the capital structure also impacted.

**Analytical Approach:** Standalone



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### Applicable Criteria:

[Rating methodology for Infrastructure companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

### **Liquidity – Adequate**

The company's liquidity is adequate marked by expectation of sufficient cushion in cash accruals against its debt repayments for the next 3 years. The company has Current Ratio of 1.16x as of March 31, 2023. The Unencumbered cash and bank balance of company stood at Rs. 1.28 Crores as on 31st December 2023. The fund based average utilization stood low at 45.93% and non-fund-based utilization stood moderate at 53.37% for the 12 months ended November'23.

### **About the Company**

SJ Transformers LLP(SJTL) is incorporated in 1994 as proprietorship concern and converted it into Limited liability partnership 2017. It is owned by Mr. Saransh Jain, Mr. Sanjog Jain and Mr. Vinod Behari Jain. SJTL is engaged in manufacturing electric Transformers of 5 MV each. Manufacturing unit was shut down in 2020, because the entire model of the business was inclined towards greater procurement of civil contract orders. However, the manufacturing unit would start again in FY24. Currently, they are engaged in civil construction work mainly water supply and allied projects for the last 3 years. SJTL work on Government projects mainly on the basis of E-tendering and tender were awarded to the L-1 Bidder.

### **Financials (Standalone) :**

|                           | (Rs. crore) |            |
|---------------------------|-------------|------------|
| For the year ended*/As on | 31-03-2022  | 31-03-2023 |
|                           | Audited     | Audited    |
| Total Operating Income    | 20.50       | 21.83      |



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|                           |       |       |
|---------------------------|-------|-------|
| EBITDA                    | 4.74  | 3.35  |
| PAT                       | 4.08  | 2.64  |
| Total Debt                | 0.47  | 4.12  |
| EBITDA Margin (%)         | 23.11 | 15.32 |
| PAT Margin (%)            | 18.29 | 11.49 |
| Overall Gearing Ratio (x) | 0.02  | 0.23  |

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA:** BWR vide its press release dated December 04<sup>th</sup>, 2023, has continued to classify the ratings of the company under issuer not cooperating on account of non-submission of relevant information.

CRISIL vide its press release dated August 07<sup>th</sup>, 2023, has continued to classify the ratings of the company under issuer not cooperating on account of non-submission of relevant information.

**Any other information:** Not applicable

**Rating History for last three years:**

| Sr. No. | Name of Instrument/Facilities | Current Rating (Year 2023-24) |                                |                                                           | Rating History for the past 3 years     |                                         |                                         |
|---------|-------------------------------|-------------------------------|--------------------------------|-----------------------------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
|         |                               | Type                          | Amount outstanding (Rs. Crore) | Rating                                                    | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 |
| 1.      | Long Term Bank facilities     | Long Term                     | 3.00                           | IVR BB- / Stable (IVR double B minus with Stable Outlook) | -                                       | -                                       | -                                       |
| 2.      | Short Term Bank facilities    | Short Term                    | 25.00*                         | IVR A4 (IVR A Four)                                       | -                                       | -                                       | -                                       |

*\*One way conversion from NFB limit to FB Limit to the extent of Rs. 2.00 crore till the tenability of the limit.*

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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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 |
|------------------|------------------|------------------|---------------|------------------------------|--------------------------|
|------------------|------------------|------------------|---------------|------------------------------|--------------------------|





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|                                              |   |   |   |        |                  |
|----------------------------------------------|---|---|---|--------|------------------|
| Long Term Bank Facility<br>– Cash credit     | - | - | - | 3.00   | IVR BB- / Stable |
| Short Term Bank Facility<br>– Bank Guarantee | - | - | - | 25.00* | IVR A4           |

*\*One way conversion from NFB limit to FB Limit to the extent of Rs. 2.00 crore till the tenability of the limit.*

**Annexure-II: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-SJ-Transformers-jan24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**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).