Press Release

Shreem Electric Limited (SEL)

January 14, 2025

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	214.10	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Rating Reaffirmed	simple
Short Term Bank Facilities	209.00	IVR A4+ (IVR A Four Plus)	IVR A4+ (IVR A Four Plus)	Rating Reaffirmed	simple
Total	**423.10 (Rupees Four hundred twenty-three crore and ten lakhs)**				

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities of SEL. Despite a significant increase in scale of operations and absolute profits as well as improved capital structure, the large quantum of scheduled repayments for FY25 vis-à-vis operating cash flows expected for the year poses a constraint. The significant recovery from long pending debtors is expected to aid the company in meeting repayment obligations. The ratings are also supported by the extensive experience of management.

The Stable outlook reflects revenue visibility for the next year from the adequate order book which is 1.35x times of FY24 turnover, as well as the stability of the revenues on account of diversification of the same amongst domestic sales and exports.

Key Rating Sensitivities:

Upward Factors

- Substantial increase in revenues along while maintaining or improving profitability levels leading to improvement in debt protection metrics.
- Prudent working capital management along with improvement in operating cycle period below 150 days with substantial improvement in collection days on a sustained basis, improving liquidity of the company.

- Improvement in total debt/GCA < 5 times on a sustained basis.

Downward Factors

- Deterioration in revenue and profitability, resulting in lower-than expected cash accruals.
- Stretch in working capital cycle leading to deterioration of the liquidity position of the company.
- Deterioration in the capital structure impacting the debt protection metrics of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Increase in scale of operations:**
  SEL's total income increased in FY24 given its focus on the manufacturing business, supported by strong order book. The sustenance of EBITDA profitability is due to lower reliance on EPC business, wherein the margin was low. As per FY24 (audited) results the company's total operating income increased by 22% to Rs.318.90 crore from Rs.261.23 crore in FY23(Audited) (refers to the period April 01, 2022 to March 31 2023).
- **Extensive experience of management**
  Established in 1976, SEL is promoted by Mr. Shahaji Jagdale and his family. Mr. Shahaji Jagdale has more than four decades of experience in the electrical engineering industry. The other promoters, Mr. Vishal Shahaji Jagadale has more than 20 years of experience and Mr. Vikas Shahaji Jagadale has more than 15 years of experience. With a long and established presence in the industry, the promoters have established a strong network of suppliers and customers. The day-to-day operations of the company are looked after by the senior management who have considerable experience with technological background under the guidance of the promoters.

- **Improved capital structure**:
  The total debt has decreased from Rs. 254.95 crore in FY23 to Rs. 182.25 crore in FY24. The total debt is expected to be Rs. 146.76 crore by end FY25.

The overall gearing ratio has improved to 0.79x in FY24 from 1.14x in FY23.
The TOL/TNW stood at 1.24x in FY24 (FY23: 1.55x). Overall gearing and TOL/TNW including is expected to improve to 0.60x and 0.98x respectively in FY25.
The interest coverage ratio stood adequate at 1.21x in FY24. The DSCR increased to 0.89x as on March 31, 2024, from 0.77x as on March 31, 2023. The debt was, however, repaid through recovery from long outstanding debtors. Total debt/EBITDA stood moderate at 4.44x as at end FY24.

Key Rating Weaknesses

- **Tender driven nature of business within a highly competitive intensity**
  The electrical power equipment supply segment is highly fragmented due to moderate entry barriers in terms of capital and technology requirements. Further, the tender-based business necessitates aggressive bidding and leads to fluctuation in sales. Intense competitive pressure and tender based operations may constrain scalability, pricing power and profitability in future. However, these risks are partially offset because existing players are preferred over new entrants as tender requirement includes conditions such as minimum years of experience, number of units of the product manufactured, quality certificates and scale of turnover.
- **Working capital-intensive nature of operations**
  Operations of SEL are working capital intensive and marked by high collection period of 371 days as on March 31, 2024. The receivables are high mainly because clients include public sector or state and central government entities, payments from whom are generally delayed. The company has realised Rs.30 crores of stuck receivables as on 31 March 2024 in FY25. The average fund-based utilisation stood at 74% for the last 12 months ended November 2024. Timely realisation of receivables will be a key rating monitorable. Working capital requirements are expected to be at high levels over the medium term. Moreover, the company needs to provide performance bank guarantees to its customers. Although the debtors position is showing an improving trend it continues to remain elevated. The duration of these performance bank guarantees ranges from five to seven years

Analytical Approach: Standalone Approach

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non- Financial Sector)

Criteria of assigning Rating Outlook.

Policy on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity - Stretched

The liquidity position is stretched as reflected by DSCR at 0.89x for FY24 and 0.77x for FY23 and is expected to be below 1 for current financial year. The average utilisation for overall working capital is 74% for 12 months ended November 2024. Cash and cash equivalents stood at Rs.0.19 crore as on 31st March 2024. The scheduled term loan repayments are Rs. 20.77 crore, Rs. 20.49 crore and Rs. 8.16 crore for FY25-FY27 against which the projected GCA is expected to be between ~ Rs.17cr-Rs.40cr annually over the FY25-FY27 period. The company made repayments in FY24 from a combination of cash flow from operations and the amount recovered from debtors and in FY25 also the repayments will be met in a similar fashion. In case of any further requirement of funds promoters are expected to infuse money in the company.

About the Company

Shreem Electric Limited (SEL) was incorporated on January 2, 1976, in the name of Shreem Capacitors Private Limited. Later in December 2009 the company was renamed to Shreem Electric Private Limited. Further on February 26, 2010, the company was converted into a Public Limited Company - Shreem Electric Limited. The company has its registered office at Sangli. The factory and in-house Research and Development centre is located at Jaysingpur, District Kolhapur. SEL is involved in the business of manufacturing wide range of medium and high/low voltage capacitors, capacitor banks, circuit breakers, control and relay panels, lightening arrestors, switchgear, water cooled capacitors and substation structures.

Financials Standalone

(Rs. crore)

For the year ended/ As on*	**31-03-2023**	**31-03-2024**
	Audited	**Audited**
Total Operating Income	261.23	318.90
EBITDA	35.49	41.07
PAT	1.12	7.09
Total Debt @	254.95	182.25
Tangible Net Worth @	224.30	231.38
EBITDA Margin (%)	13.59	12.88
PAT Margin (%)	0.43	2.21
Overall Gearing Ratio (x)	1.14	0.79
Interest Coverage (x)	1.02	1.21

** As per Infomerics Standard*
@ Slight variation in FY23 Tangible Net Worth figures as per FY24 audit report are slightly lower than those mentioned in the FY23 audit report due to write off of debtors which was directly adjusted in the net worth. The difference in debt figures (FY23 debt being higher as per FY24 audit report) is because of Infomerics' treatment of unsecured loans from promoters as debt instead of quasi-equity, in the absence of bank confirmation of the same.

Status of non-cooperation with previous CRA: The rating continues to remain under ISSUER NOT COOPERATING category from CARE Rating as per press release dated May 21, 2024, due to unavailability of information for monitoring of rating.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in in 2022-23
Press Release			January 14,2025		May 21,2024	February 23,2024	January 20,2023
1.	Bank Facilities – Fund Based-Term Loan	Long Term	43.42	IVR BB+/Stable	IVR BB+/Stable	--	--
2.	Bank Facilities – Fund Based Cash Credit	Long Term	170.68	IVR BB+/Stable	IVR BB+/Stable	IVR BB/Negative; ISSUER NOT COOPERATING*	IVR BB+/Stable
3.	Bank Facilities – Non-Fund Based-Letter of Credit	Short Term	94.50	IVR A4+	IVR A4+	IVR A4; ISSUER NOT COOPERATING*	IVR A4+
4.	Bank Facilities – Non-Fund Based-Bank Guarantee	Short Term	114.50	IVR A4+	IVR A4+	IVR A4; ISSUER NOT COOPERATING*	IVR A4+

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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.

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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
Term Loan	--	--	--	43.42	IVR BB+/Stable
Cash Credit	--	--	--	170.68	IVR BB+/Stable
Letter of Credit	--	--	--	94.50	IVR A4+
Bank Guarantee	--	--	--	114.50	IVR A4+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Shreem-Electric-jan25.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: 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.