



Press Release

Shuchi Alloys & Conductors Technologies Private Limited (SACT)

December 17, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	187.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	-	Assigned	Simple
Short Term Facilities	173.00	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
Total	360.00 (Rupees Three Hundred Sixty crore only)				

Details of Facilities/Instruments 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 assigned rating to the bank facilities of SACT which derive strength from strong support from the parent along with business synergies and stable industry. Prospects. However, these rating strengths are partially offset by project implementation risk, debt funded project, susceptibility of operating margin to fluctuations input prices and exposure to intense competition.

The Stable Outlook of SACT reflects Infomerics expectation of SACT continue to benefit from its parent and experienced promoters.

Key Rating Sensitivities:

Upward Factors

- Timely completion of green field project and achievement of projected revenue and profitability

Downward Factors

- Any time and cost over run in ongoing green field project and/or any weakening of linkages of its parent company i.e. SSEL.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Strong financial and strategic linkages with parent**

SACT is having strong financial and strategic linkages with its parent company Shirdi Sai Electricals Limited (SSEL rated as IVR BBB+/Stable / IVR A2). SACT's unit will act as a backward integration who manufactures components which is raw material for SSEL thereby improvement in operating profile of SSEL, though as per management any purchase or sell within these entities would be at arm length basis. Currently, majority of the project has been incurred by SSEL through its internal accruals which is getting refinanced through term loans.

Advance stage of completion and funding tie-up

The company has proposed to establish an All-Alloy Aluminium Conductors manufacturing unit by total cost of project is Rs.214.63 crore out of which will be funded through bank borrowings (term loan) to the tune of Rs 150.00 crore and balance they have proposed to infuse as promoters contribution. Rs.14.00 crore will form part of the promoter's margin for working capital purposes. The funding of the same will be made in debt equity ratio of 1.91:1. The estimated commercial production of the project is December 31, 2024.

SACT is setting up green field project of for manufacturing of All-Alloy Aluminium Conductors with the total cost of Rs.214.63 crore funded through debt (Rs.150.00 crore) and balance through promoters contribution. Majority of the funding has been funded by promoters which will be later refinanced through term loans. SACT has already completed funding tie-up for the project and project is expected to be completed by December 31, 2024, as on November 12, 2024, SACT has achieved physical progress of 80%.

- **Stable industry prospects**

The Indian wire and cable market is expected to grow at a compound annual growth rate (CAGR) of 9.14% from 2024 to 2029. The growth is expected to be driven by growth in renewable power generation, expansion and revamping of infrastructure, increasing investments in metro, railways, etc. The growing energy demand in India propelled by sustained economic growth and urbanization has also bolstered the renewable energy



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sector. With this, the need for strengthening of transmission and distribution sector has accentuated to reduce transmission and distribution losses. The government's focus on power for all, rural electrification and improving infrastructure is expected to increase the demand for cables and wires.

Key Rating Weaknesses

- **Susceptibility of operating margin to fluctuations input prices**

The operating margin is susceptible to volatility in its input prices (mainly aluminium). Any upward movements in the prices of aluminium, the primary raw material used in the manufacture of cables and conductors can have an adverse effect on the profit margins.

- **Exposure to intense competition**

The industry is characterized by high fragmentation with a large number of unorganised players, constraining the pricing power of organised sector players. Apart from the unorganized sector, group also faces competition from the organized sector players.

Analytical Approach: Consolidated Approach

For arriving the rating Infomerics has taken consolidated approach as the company is wholly owned subsidiary of Shirdi Sai Electricals Limited controlled by the same management. The consolidation is based on common promoters/ management, similar line of business, cash flow fungibility and strong financial linkages between these entities, around 25% to 30% sales for SACT will be made to SSEL executing under Revamped Distribution Sector Scheme (RDSS) contract and also as per sanction letter of SACT, SSEL (Parent Company) will provide corporate guarantee for credit facilities of SACT.

List of companies considered for consolidated analysis:

Name of the company	Consolidation approach
Shirdi Sai Electricals Limited	Full Consolidation
SACT	Full Consolidation
Indo Tech Transformers Limited (Listed Company)	Full Consolidation
Indosol Solar Private Limited	Full Consolidation



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Navare Smart Technologies Private Limited	Full Consolidation
Suryachakra Developers Private Limited	Full Consolidation
Wish Renewables Private Limited	Full Consolidation

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

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

[Consolidation of companies](#)

[Parent & Group Support](#)

Liquidity – Adequate

The liquidity is expected to remain adequate marked by resourcefulness of the promoters. The project is under construction which is funded by debt equity mix with proposed term loan of Rs 150.00 crore. Overall, liquidity seems to be adequate in projected years with adequate cash accruals.

About the Company

SACT was incorporated in the year 2023. SACT is promoted by SSEL and Mr. N. Visweswara Reddy. The company has proposed to establish an All-Alloy Aluminium Conductors manufacturing unit by total cost of project is Rs.214.63 crore out of which will be funded through bank borrowings (term loan) to the tune of Rs 150.00 crore and balance they have proposed to infuse as promoters contribution. Rs.14.00 crore will form part of the promoter's margin for working capital purposes. The funding of the same will be made in debt equity ratio of 1.91:1. The estimated commercial production of the project is December 31, 2024.

SACT is a wholly owned subsidiary of SSEL, which has business interests in transformer manufacturing company (power and distribution transformers). SSEL is rated by Infomerics as IVR BBB+/ Stable / IVR A2 dated September 13, 2024.



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Financials (Consolidated):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	2419.58	3821.71
EBITDA	505.65	1020.05
PAT	300.92	632.25
Total Debt	237.29	913.95
Tangible Net Worth	1614.49	2237.83
EBITDA Margin (%)	20.90	26.69
PAT Margin (%)	12.38	16.38
Overall Gearing Ratio (x)	0.15	0.41
Interest Coverage (x)	7.26	7.73

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security / Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
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1.	Cash Credit	Long Term	37.00	IVR BBB/ Stable	--	--	--
2.	Term Loans	Long Term	150.00	IVR BBB/ Stable	--	--	--
3.	Letter of Credit	Short Term	76.00	IVR A3+	--	--	--
4.	Bank Guarantee	Short Term	46.00	IVR A3+	--	--	--
5.	Proposed LC/BG	Short Term	51.00	IVR A3+	--	--	--

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About Infomerics:



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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 and definition of ratings please visit www.infomerics.com.

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Annexure 1: Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	37.00	IVR BBB/ Stable
Term Loans	-	-	-	Upto May 2030	150.00	IVR BBB/ Stable



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Letter of Credit	-	-	-	-	76.00	IVR A3+
Bank Guarantee	-	-	-	-	46.00	IVR A3+
Proposed LC/BG	-	-	-	-	51.00	IVR A3+

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-ShuchiAlloys-dec24.pdf>

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

Annexure 4: List of companies considered for consolidated/Combined analysis:

Name of the company/Entity	Consolidation Approach
Shirdi Sai Electricals Limited	Full Consolidation
SACT	Full Consolidation
Indo Tech Transformers Limited (Listed Company)	Full Consolidation
Indosol Solar Private Limited	Full Consolidation
Navare Smart Technologies Private Limited	Full Consolidation
Suryachakra Developers Private Limited	Full Consolidation
Wish Renewables Private Limited	Full Consolidation

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.