



Press Release

Silver Consumer Electricals Private Limited

June 01, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Cash Credit	44.50	IVR BBB- / Stable (IVR Triple B Minus; Outlook: Stable)	Assigned	Simple
Total	44.50 (Rupees Forty-four crore & fifty lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Silver Consumer Electricals Private Limited (SCEPL) factors in the extensive experience of the promoters in this industry, OEM for a well-recognized company with diversified product portfolio, stable financial performance, moderate capital structure and favourable growth prospects with government's impetus on renewable energy, albeit competitive industry.

However, the ratings remained constrained mainly on account of capital Intensive coupled with volatile raw material prices, competitive nature of business with significant price war and working capital intensive nature of business.

Key Rating Sensitivities:

Upward Factors

- Improvement in total operating income coupled with better profit margins
- Improvement in the capital structure and debt protection metrics
- Improvement in the operating cycle with improvement in liquidity.

Downward Factors

- Deterioration in total operating income and/or profitability of the firm, with EBITDA margin below 3%
- Any unplanned capex deteriorating firm's business operations and performance leading to stress in firm's capacity to meet debt repayment obligation.



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- Moderation in the capital structure with overall gearing ratio deteriorated over 2x
- Elongation in operating cycle impacting the liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoter

SCEPL is a family managed business of Bedia family. In 2019 due to family separation three partners retired from business and Mr. Dharmshibhai Bedia and Mr. Kunvarjibhai Bedia continued the family business with their second generation, Mr. Vinitbhai Bedia and Mr. Kashyap Bedia. The firm has 18 branch offices throughout India with a network of close to 200 sub-dealers and sells its products under the brand name 'Silver' and is also looking to further explore export opportunities.

OEM for a well-recognized company with diversified product portfolio

Apart from having its own sales and distribution on a PAN India level, the company is also an OEM for Crompton Greaves which ensures steady cashflows and regular business, thereby increasing its sales and margins.

Stable financial performance

The financial performance of the company remained stable over the past three fiscals. The total operating income increased to Rs. 249.09 crore in FY21 from Rs.199.97 crore in FY20. EBITDA and PAT of the company increased marginally from Rs.14.16 in FY20 crore to Rs. 16.45 crore in FY21 and from Rs.7.70 crore in FY20 to Rs. 8.16 crore in FY21 as a result of lower operations and administrative costs, thereby maintaining decent profit margins, with EBITDA margin at 6.60% and PAT margin at 3.27% during FY21.

Moderate capital Structure



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The long term debt equity ratio and the overall gearing ratio of the firm improved from 0.33x as on March 31, 2020 to 0.15x as on March 31, 2021 and from 1.29x as on March 31, 2020 to 0.97x as on March 31, 2021, respectively. Long Term Debt to EBITDA and Total Debt to EBITDA were comfortable at 0.49x and 3.18x, respectively as on March 31, 2021. The interest coverage ratio was adequate at 2.97x with TOL/TNW at 2.67x as on March 31, 2021.

Favourable growth prospects with government's impetus on renewable energy, albeit competitive industry

India is one of the largest regional markets for solar pumps after Middle East Asia (MEA) and China and is expected to be one of the fastest growing markets over the next few years. The government is also emphasizing use of solar pumps by providing capital subsidy for installation of solar pumps as to reduce the consumption of grid power (which is heavily subsidized by the state government or is provided entirely free of cost). For this, government has launched various schemes including KUSUM which aims at installation of around 30 lakh solar pumps in the country in near to medium term, with a total outlay of over 1 lakh crore including subsidies from both state and central governments. Issuance of work orders under KUSUM scheme commenced from FY21 onwards, after a delay of around a year from previously envisaged timelines.

Key Rating Weaknesses

Capital Intensive coupled with volatile raw material prices

The primary raw materials used for the manufacturing of pumps include stainless steel, copper, aluminium die casted products, solar modules/panels and several ancillary parts. The prices of these materials are inherently volatile and are driven largely by global as well as local demand and supply conditions. Raw material accounts for around 60-70% of the total manufacturing cost of the company and hence any volatility in the prices of these materials may impact the profitability of the company.

Competitive nature of business with significant price war

There are number of large and medium size, as well as international and domestic companies in the market making the competition tough and limits pricing power.



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Working capital intensive nature of business

The operations of the firm remained working capital intensive over the past fiscals marked by elongated operating cycle attributable to its elongated average inventory period and moderate average collection period.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity – Adequate

The company's liquidity position is expected to remain adequate marked by its expected satisfactory cash accruals vis-à-vis its debt repayment obligations. The firm has garnered cash accruals of Rs. 11.27 crore in FY21 and expected to earn cash accruals in the range of ~Rs. 14.12 to 21.42 crore as compared to its debt repayment obligations in the range of ~Rs.4.04-10.30 crore during FY22-FY24. Moreover, the company's average working capital utilization was ~84.76% for the last 12 months ending December, 2021.

About the Company

Silver Engineering Company was established as a partnership firm in April, 1981 by Bedia Family. Furthermore, the partnership firm was converted into private limited company and the name was changed to 'Silver Consumer Electricals Pvt. Ltd.' (SCEPL) in the year 2021. The company was established as a supplier of Self priming pumps, Centrifugal Pumps, Open-well submersible Pumps, Borewell submersible Pumps and Mud/Sewage Pumps. Currently the company manufactures water pumps and motors with a broad range of products, widely used in the agricultural sector. SCEPL is a family managed business of Bedia family with five brothers namely, Dharmshibhai Bedia, Arvindbhai Bedia, Shaileshbhai Bedia, Masukhbhai Bedia, Kunvarjibhai Bedia. In 2019 due to family separation three partners retired from



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business and Dharmshibhai Bedia and Kunvarjibhai Bedia continued the family business with their second generation, Vinitbhai Bedia and Kashyap Bedia. The company has 18 branch offices throughout India with a network of close to 200 sub-dealers and sells its products under the brand name 'Silver'. The company is also an OEM for Crompton Greaves Consumer Electricals Limited.

Financials (Standalone):

For the year ended/As on*	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	199.97	249.10
EBITDA	14.16	16.45
PAT	7.70	8.16
Total Debt	45.48	52.35
Tangible Net Worth	35.16	53.98
Ratios		
EBITDA Margin (%)	7.08	6.60
PAT Margin (%)	3.81	3.27
Overall Gearing Ratio (x)	1.29	0.97

*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 Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Bank Facilities – Cash Credit	Long Term	44.50	IVR BBB- / Stable	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

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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
Cash Credit	-	-	-	44.50	IVR BBB-/ Stable



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Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Silver-Consum-june22.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.