



## Press Release

### Spray Engineering Devices Limited

January 10, 2023

#### Ratings

Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	60.56 (enhanced from Rs.25.00 crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	25.00 (enhanced from Rs.15.00 crore)	IVR A3 (IVR A Three)	Reaffirmed	Simple
<b>Total</b>	<b>85.56</b>	<b>Rupees Eighty Five Crore and Fifty Six Lakhs Only</b>		

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed long term rating of IVR BBB- and short-term rating of IVR A3 for the bank loan facilities of Spray Engineering Devices Limited (SEDL).

The rating draws comfort from the extensive experience of the promoters in the industry, established relationship with its customers and suppliers, moderate order book position indicating near to medium term revenue visibility, moderate scale of operations and profitability. However, these strengths are partially offset by moderate net worth and raw material prices are susceptible to volatility.

IVR has principally relied on the standalone audited financial results of Spray Engineering Devices Limited upto 31 March 2022, provisional figures H1FY23, projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the company's management.



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### **Key Rating Sensitivities**

#### **Upward factors**

- Significant growth in total income with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.

#### **Downward factors**

- Substantial decline in operating income and cash accrual, or sizeable capital expenditure weakens the financial risk profile, particularly liquidity.
- Significant deterioration in debt protection metrics.

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

#### **Key Rating Strengths**

##### **Experienced promoters**

The promoters of the company are having an experience of close to three decades in the industry through their association with SEDL and prior engagements in the sugar industry. Furthermore, SEDL's established track record of operations has enabled the company to establish strong business relationships with its clientele in the market, which has led to repeat orders. Going forwards, SED will get benefit from the promoter's extensive industry experience in the term of acquisition of new clientele or in bulk orders.

##### **Established relationship with its customers and suppliers:**

Promoters extensive experience in manufacturing of cooling and condensing system, its automation and energy saving equipment's majorly used in the Sugar Industry and also a turnkey supplier for the sugar plants, has led to established healthy relations with its customers and suppliers. Furthermore, SEDL holds a number of intellectual assets both at national and international level which gives the company competitive advantages over its peers in the industry. The company has also diversified its business towards the wastewater treatment for revival from the present downturn scenario of sugar industry through its product MVR and Low Temperature Evaporator and maintaining healthy relationship with



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their customer and suppliers.

### **Moderate order book position indicating near to medium term revenue visibility**

The company have a total order book of Rs. 419.78 crore out of which the company have received payment amounting to Rs. 175.43 crore (including GST) as on November 30, 2022 and Rs. 315.15 crore are yet to be billed. The order book consists of three segments i.e. sugar (~52%), jaggery (~3%) and water management (~45%). Majority of the orders are from sugar segment. Majority of the projects are expected to be completed in next 4-5 months. The healthy order book gives near to medium term revenue visibility.

### **Moderate scale of operations and profitability**

The total operating income of the company have shown a growth of ~94% with substantial increase from Rs. 110.56 crores in FY21 to Rs. 214.45 crores in FY22. During H1FY23 the company has generated total revenue of Rs. 222.59 crore. Over the years the company has reduced their operations in sugar industry and focusing more on water treatment projects which is evidenced by an increase from ~17% in FY19 to ~49% in FY21 which results in increase in revenue for the company. The profitability margins have also improved in FY22 with an EBITDA margin of 10% and PAT margin of 6.98%. Further during H1FY23, profitability margins have also posed a strong front as compared with the previous half yearly period.

### **Key Rating Weaknesses**

#### **Moderate net worth**

The net worth of the company stood moderate as evidenced by TNW of Rs. 38.08 crores in FY22 as against Rs. 23.05 crores in FY21. The TNW has improved on account of ploughing back of profits.

#### **Raw material prices are susceptible to volatility**

The major raw materials required for the operations of the company is steel, prices of which are fluctuating in nature and move in tandem with global demand-supply factors. The same can also impact the profitability margins of the company going forward.



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**Analytical Approach:** For arriving at the ratings, IVR has analyzed SEDL's credit profile by considering the standalone financial statements of the company.

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

**Liquidity: Adequate**

The company earned a gross cash accrual of Rs. 16.46 crore as against a repayment obligation of Rs. 1.37 crore in FY22. Further, the liquidity position of the company is expected to remain adequate as the company is expected to generate gross cash accrual in the range of Rs.38.00-52.00 crore during the projected period, which is adequate to serve its debt repayment obligations during the same period in the range of Rs. 2.00- crore 4.60 crore. The current ratio is stood at 1.13x in FY22 mainly due to high value of advances received from the customers. The bank limits are utilized to the extent of ~74% during the past 12 months ended October 2022.

**About the Company**

The company was formed by merger of two partnership firms, namely Spray Engineering Devices (started in 1992) and C&C Systems in December 2004. SEDL is promoted by Mr. Vivek Verma and Mr. Prateek Verma, having it's corporate office located at Mohali, Punjab and three manufacturing units in Baddi, Himachal Pradesh. Till, FY2017-18, The Company was engaged in the manufacturing of cooling and condensing system, its automation and energy saving equipment's majorly used in the Sugar Industry and a turnkey supplier for the sugar plants. Later on, during FY2018-19, the company has diversified its business towards the wastewater treatment for revival from the present downturn scenario of sugar industry through its product MVR and Low Temperature Evaporator.



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### Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	110.56	214.45
EBITDA	12.30	21.45
PAT	4.66	15.06
Total Debt	22.80	18.13
Tangible Net worth	23.05	38.08
EBITDA Margin (%)	11.13	10.00
PAT Margin (%)	4.19	6.98
Overall Gearing Ratio (x)	0.99	0.48

**Status of non-cooperation with previous CRA:** ICRA Ratings has migrated & reaffirmed the rating of the company in Jan, 2019, April, 2020 and Jul, 2021, in the absence of adequate information to review the rating.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument /Facilities	Type	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
			Amount outstanding (Rs. Crore)	Rating (Jan 10, 2023)	Rating (July 12, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Dec 16, 2021)	Date(s) & Rating(s) assigned in 2020-21 (Mar 12, 2021)	Date(s) & Rating(s) assigned in 2019-20 (Dec 31, 2019)
1.	Fund Based	Long Term	60.56 (enhanced from Rs. 25.00 crore)	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB/ Positive	IVR BB-/ Stable	IVR B+/ Stable
2.	Non Fund Based	Short Term	25.00 (enhanced from Rs. 15.00 crore)	IVR A3	IVR A3	IVR A4+	IVR A4	IVR A4

**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).





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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.

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

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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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
Long Term Fund Based Facilities – Term Loan	-	-	-	26.27	IVR BBB-/ Stable
Long Term Bank Facilities- WCTL	-	-	-	3.96	IVR BBB-/ Stable
Long Term Bank Facilities- CC/ODBD	-	-	-	30.33	IVR BBB-/ Stable
Short Term Bank Facilities- LC	-	-	-	25.00	IVR A3

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Spray-Engineering-jan23.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 [Complexity Level of Rated Instruments/Facilities](#).