



## Press Release

### S. E. Power Limited October 09, 2021

#### Ratings

Facilities	Amount (INR crore)	Current Ratings	Previous Ratings	Rating Action
<b>Fund Based Facility-</b>				
Long Term Bank Facility- Cash Credit	6.00 (Increased from INR 4.00crore)	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	<b>Reaffirmed</b>
Long Term Bank Facility- Term Loan-I	4.75*	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	<b>Reaffirmed</b>
Long Term Bank Facility – Term Loan-II	2.63	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	-	<b>Assigned</b>
Long Term Bank Facility – Term Loan- UGECL	0.58*	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	-	<b>Assigned</b>
Proposed Term loan	1.21	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	-	<b>Assigned</b>
<b>Non-Fund Based Facility-</b>				
Short Term Bank Facility –Bank Guarantee	0.41	IVR A4 (IVR A Four)	IVR BB-/Stable/IVR A4	<b>Reaffirmed</b>
(Proposed) Bank Guarantee	1.42	IVR A4 (IVR A Four)	-	<b>Assigned</b>
<b>Total</b>	<b>17.00</b>			

\*Outstanding as on June 30,2021

#### **Details of facilities are in Annexure 1 Detailed Rationale**

The rating reaffirmation to the bank facilities of S. E. Power Limited derive strength from experienced board of directors, diverse sources of revenues and advantages from using reclaimed rubber. The rating however is constrained by negative profitability margins leading to tightening of liquidity and high cost of inputs



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### **Key Rating Sensitivities:**

#### **Upward Factor:**

- Sustained improvement in profitability and financial risk profile with EBITDA margins of more than 5%.

#### **Downward Factor:**

- Further decline in liquidity profile leading to deterioration in debt servicing indicators

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

#### **Key Rating Strengths**

##### **Experienced Board of Directors**

SEPL was incorporated in 2010, led by Mr. Arun Gopal Agarwal (Chairman) & Mr. Sachin Agarwal (Managing Director); both of whom have a combined experience of over 60 years and bring a wealth of experience in the field of budgetary controls, cost accounting, operations, quality control, management and marketing and internal audit. Mr. Arun Agarwal is a member of Management Association and Arbitration Council of India, and Mr. Sachin Agarwal has a degree in commerce with an MBA. Since its inception, they have been instrumental in guiding the company and managing its day-to-day affairs.

##### **Diverse sources of revenues**

SEPL has its operations in power generation through windmills and manufacturing of reclaimed rubber; the latter being their primary source of revenue. Within the reclaimed rubber manufacturing unit, they sell rubber and related products as well as steel wires which have a variety of uses. The reclaimed rubber offered by SEPL is of 80 to 120 kg/sqcm in tensile strength whereas the strength of reclaimed rubber being sold in the current market is 60 kg/sqcm, thus helping the company in differentiating their product offering. Their revenues from the reclaimed rubber division stood increased from INR18.90 crore in FY20 to INR 22.45 crore in FY21 and although the revenues from non-conventional energy declined marginally from INR1.43 crore in FY20 to INR 1.21 crore in FY21.



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### **Advantages from using Reclaimed Rubber**

It is relatively cheaper and is a more cost effective alternative than natural and synthetic rubbers. It helps to reduce the price of products that use rubber like wire insulations, hoses, mulches, flooring, hard tires, drainage systems etc. Less energy is used during the process of recycling as compared to the manufacturing of natural rubber. Unlike synthetic rubber that needs to be burnt in an open area, whilst it releases toxic gases, recycled rubber does not have to be burnt. Reclaimed rubber has noise-absorbing and sound-insulating properties, it is energy efficient while producing, it has strength and durability. The reclaimed rubber can again be recycled into maintenance free timber pieces that can be used in landscaping.

### **Key Rating Weaknesses**

#### **Negative profitability margins leading to tightening of liquidity**

SEPL has been experiencing an improvement in profits from INR 20.78 crore in FY20 to INR 24.08 crore in FY21; currently their PAT has further improved but negative from INR-8.52 crore in FY20 to INR -7.33 crore in FY21 and PAT margin is also negative and improved from -41.01% in FY20 to -30.45% in FY21; majorly due to below-par demand for reclaimed rubber following the general slowdown in the economy and especially the auto industry and rising raw material prices. The GCA has also negative but improved from INR-6.27 crore in FY20 to INR -5.03 crore in FY21. The interest coverage ratio also improved from -0.70x in FY20 to -0.03x in FY21, and their debt service coverage ratio was impacted due to the mounting loans. The liquidity position of the entity has weakened significantly over the years due to the cash losses incurred since FY17. Due to stressed liquidity, the company has taken unsecured loans to service their debt obligations, increasing from INR57.76 crore in FY20 to INR 65.11 crore in FY21.

#### **High cost of inputs**

Rubber being a long gestation crop, it requires huge investments by the grower for seven years before it starts yielding. To sustain the livelihood of growers for a further yielding period of 20-plus years, a fair price and a buyback scheme should be made available along with replanting subsidies provided by the Rubber Board. Moreover, the raw material costs form a major portion of the average selling price, and the contribution levels remain reactive to changes in prices.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity - Stretched**

Liquidity is stretched, the company has a negative cash balance of INR1.05 crore in FY21 with a negative GCA of INR5.03crore. The current ratio is under unity at 0.88x on FY21. The average cash credit utilisation was around 70.84% during the last twelve months ended March 2021.

### **About the Firm**

S E Power Ltd (SEPL), erstwhile S. E. Investments Ltd which split into two separate entities – S.E. Power Ltd (rubber manufacturing and power producing) and Paisalo Digital Ltd (a non-deposit taking NBFC (rated IVR AA-/Stable Outlook dated August 26,2021)). SEPL is a public limited company incorporated in the year 2010; they specialise in manufacturing of specialised rubber and power generation through windmills. The company is promoted by Mr. Sachin Agarwal and Mr. Arun Agarwal; they possess a combined 67 years of experience. They have their base of operations in Vadodara (Gujarat). They are also into unconventional energy production through windmills, these windmills are majorly located in the states of Rajasthan and Karnataka.

### **Financials (Standalone)**

For the year ended / As on	INR in Crore	
	31-Mar-20 (A)	31-Mar-21 (A)
Total Operating Income	20.78	24.08
EBITDA	-2.47	-0.12
PAT	-8.52	-7.33
Total Debt	68.48	75.15
Tangible Net Worth	6.65	-3.15
EBIDTA Margin (%)	-11.89	-0.52
PAT Margin (%)	-41.01	-30.45
Overall Gearing ratio (x)	10.30	-23.88

\* Classification as per Infomerics' standards



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Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facility	Current Rating (Year: 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
<b>Fund Based Facility-</b>							
1.	Long Term Facilities	Cash Credit	6.00 (Increased from INR 4.00crore)	IVR BB-/ Stable	IVR BB-/ Stable (Sept 25, 2020)	IVR BB/ Stable (Sept 18, 2019)	-
2.	Long Term Facilities	Term Loan-I	4.75*	IVR BB-/ Stable	IVR BB-/ Stable (Sept 25, 2020)	IVR BB/ Stable (Sept 18, 2019)	-
3.	Long Term Facilities	Term Loan-II	2.63	IVR BB-/ Stable	-	-	-
4.	Long Term Facilities	UGECL	0.58*	IVR BB-/ Stable	-	-	-
5.	Long Term Facilities	Proposed	1.21	IVR BB-/ Stable	-	-	-
<b>Non-Fund Based Facility-</b>							
6.	Short Term Facilities	Bank Guarantee	0.41	IVR A4	IVR BB-/ stable / IVR A4 (Sept 25, 2020)	IVR A4 (Sept 18, 2019)	-
7.	Short Term Facilities	Proposed	1.42	IVR A4	-	-	-
<b>Total</b>			<b>17.00</b>				

\*Outstanding as on June 30,2021

### Name and Contact Details of the Rating Analysts:

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities



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and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned / Outlook
<b>Fund Based Facility-</b>					
Long Term Bank Facility– Cash Credit	-	-	-	6.00 (Increased from INR 4.00crore)	IVR BB-/ Stable
Long Term Bank Facility-Term Loan-I	-	-	FY2022	4.75*	IVR BB-/ Stable
Long Term Bank Facility – Term Loan-II	-	-	FY2028	2.63	IVR BB-/ Stable
Long Term Bank Facility – Term Loan-UGECL	-	-	-	0.58*	IVR BB-/ Stable
Proposed Term loan	-	-	-	1.21	IVR BB-/ Stable
<b>Non-Fund Based Facility-</b>					
Short Term Bank Facility –Bank Guarantee	-	-	-	0.41	IVR A4
(Proposed) Bank Guarantee	-	-	-	1.42	IVR A4
<b>Total</b>				<b>17.00</b>	



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\*Outstanding as on June 30,2021

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/se-power-lenders-oct21.pdf>

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

**Annexure 5: Complexity level of the rated Instruments/Facilities**

Sr No.	Instrument	Complexity Indicator
1.	Term Loans	Simple
2.	Cash Credit	Simple
3.	Bank Guarantee	Simple

**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).