

Press Release

Truvolt Engineering Co. Private Limited

August 23, 2018

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings Assigned
1.	Long Term Bank Facilities	15.96	IVR BB - /Stable (IVR Double B Minus with Stable Outlook)
2.	Long Term/Short Term Bank Facilities	14.00	IVR BB - /Stable /IVR A4 (IVR Double B Minus with Stable Outlook/IVR A Four)
3.	Short Term Bank Facilities	0.75	IVR A4 (IVR A Four)
	Total	30.71	

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Truvolt Engineering Co. Private Limited (TECPL) is tempered by its small scale of operations with thin profit margin, susceptibility of profitability to volatile input prices, leveraged capital structure with weak debt protection metrics and elongated operating cycle. However, the ratings are underpinned by its experienced promoters with long track record of operations, established clientele and moderate revenue visibility. Scale of operations, profitability, gearing level and working capital management are the key rating sensitivities

List of Key Rating Drivers

- Small scale of operations
- Thin profit margin
- Susceptibility of profitability to volatile input prices
- Elongated operating cycle
- Leveraged capital structure with weak debt protection metrics
- Experienced promoters with long track record of operations
- Established Clientele
- Moderate revenue visibility

Infomerics Valuation And Rating Pvt. Ltd.

Detailed Description of Key Rating Drivers

Key Rating Weaknesses

- **Small scale of operations**

Despite its long track record of operations, TECPL has a modest scale of operations with total operating income of Rs.60.43 crore in FY17 (FY refers to the period from April 1 to March 31). Further, the company estimates to post total operating income of Rs.56.74 crore in FY18 (E). The moderation in total operating income was due to subdued order flow during the year.

- **Susceptibility of profitability to volatile input prices**

The main raw materials for the company are Copper, Aluminium, Lamination products, Steel, Transformer Oil, various stores and spares. The prices of these are highly volatile in nature and accordingly the profitability of the company is exposed to such fluctuations.

- **Thin profit margin**

The EBIDTA margin of the company remained moderate over the past years and improved marginally from 6.48% in FY17 to 8.14% in FY18. However, the net profit and the net profit margin remained thin during the aforesaid period mainly due to high interest cost attributable to its leveraged capital structure. However, the same is estimated to improve from 0.66% in FY17 to 1.17% mainly driven by reduction in interest expenses in FY18 (E).

- **Elongated operating cycle**

The operating cycle of the company remained high over the past years. The elongated operating cycle was mainly due to its high inventory days mainly attributable to its high work in progress days (start to finish period of about 6 to 9 months) along with high raw material inventory holding period. Further, high average collection period also affected the situation. The company stretched its creditors to support its high working capital requirements.

- **Leveraged capital structure with weak debt protection metrics**

The capital structure of the company remained leveraged with a long term debt equity ratio of 1.23x and the overall gearing ratio of 2.45x as on March 31, 2017. However, long term debt equity ratio and the overall gearing ratio estimated to improve to 1.02x and 2.25x as on March 31, 2018 mainly driven by lower debt level along with accretion of profit to net worth. The interest coverage ratio of the company remained moderate over the past years. However, the Total debt to GCA remains high due to its low cash accruals and leveraged capital structure.

Infomerics Valuation And Rating Pvt. Ltd.

Key Rating Strengths

- **Experienced promoters with long track record of operations**

TECPL has been in manufacturing of various transformers for over 45 years and has made a modest presence in the sector. The company is presently managed by a team of experienced professionals guided by a three member Board of Directors headed by Mr. Rajesh Ghosh (MD) having more than three decades of experience in this industry.

- **Established Clientele**

Over the years of its operation, TECPL has created an established clientele base which includes various Government, Semi Government and Private Organizations. However, top five customers contribute about 65% of its sales in FY18 indicating a customer concentration risk.

- **Moderate revenue visibility**

The company has an outstanding order book of Rs.81.51 crore (about 1.43x of FY18 (E) total revenue) as on July 31, 2018 to be executed within next 1-2 years indicating a moderate revenue visibility.

Analytical Approach & Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

About the Company

Truvolt Engineering Co. Private Limited (TECPL) was initially established as a proprietorship concern by Late Mr. S.K. Ghosh of Kolkata, West Bengal. In 1970, the erstwhile proprietorship concern was converted to a Private Limited Company with its present name. TECPL is engaged in manufacturing of a wide range of transformers. Apart from transformers, TECPL is the largest manufacturer of Crematorium Furnaces in the country. TECPL also manufactures control & relay panels for coal fields, automatic voltage regulating transformers, pollution control incinerator for solid waste management and also undertakes design, supply, and execution of 132 KV sub-station on turnkey basis. The company mainly caters to the domestic market along with exporting of transformers to countries like Nepal, Bangladesh, Bhutan, Zambia, Kenya, Nigeria, Ethiopia, Saudi Arabia and Iraq. Presently, Mr. Rajesh Ghosh [Son of Mr. S.K. Ghosh] is the Managing Director of the Company. Mr. Rajesh Ghosh joined the business in 1990 and has gained considerable experience in this segment.

Infomerics Valuation And Rating Pvt. Ltd.

Financials (Standalone):

(Rs. Crore)

For the year ended* / As On	31-03-2017	31-03-2018
	Audited	Estimated
Total Operating Income	60.43	56.74
EBITDA	3.92	4.62
PAT	0.40	0.67
Total Debt	26.36	25.65
Tangible Net worth	10.74	11.41
EBITDA Margin (%)	6.48	8.14
PAT Margin (%)	0.66	1.17
Overall Gearing Ratio (x)	2.45	2.25

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Bank Facilities - Term Loan	Long Term	0.96	IVR BB - / Stable Outlook	-	-	-
2.	Long Term Bank Facilities - Cash Credit	Long Term	15.00	IVR BB - / Stable Outlook	-	-	-
3.	Long Term/Short Term Bank Facilities - BG/LC	Long/Short Term	14.00	IVR BB - /Stable /IVR A4	-	-	-
4.	Short Term Bank Facilities	Short Term	0.75	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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Avik Podder

Tel: (033) 46022266

Email: apodder@infomerics.com

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 and



Infomerics Valuation And Rating Pvt. Ltd.

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.

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.

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 Bank Facilities - Term Loan	-	-	July 2019	0.96	IVR BB - / Stable Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	15.00	IVR BB - / Stable Outlook
Long Term/Short Term Bank Facilities – BG/LC	-	-	-	14.00	IVR BB - / Stable Outlook/IVR A4
Short Term Bank Facilities	-	-	-	0.75	IVR A4