

Swastika Electricals & Fertilizers

March 02, 2021

Ratings

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 13.00 | CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable; (Double B; Outlook: Stable) |
| Long Term / Short Term Bank Facilities | 40.50 | CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable/ A Four ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable / CARE A4; (Double B; Outlook: Stable / A Four) |
| Short Term Bank Facilities | 9.00 | CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category |
| Total Bank Facilities | 62.50 (Rs. Sixty-Two Crore and Fifty Lakhs Only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 09, 2019, placed the rating of Swastika Electricals & Fertilizers (SEF) under the 'Issuer not Cooperating' category as SEF had failed to provide information for monitoring of the rating. SEF continues to be non-cooperative despite repeated requests for submission of information through phone calls, e-mails dated January 04, 2021, January 11, 2021, January 16, 2021 and a letter dated January 04, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings have been revised on account of unavailability of update on operational and financial performance for FY19 (refers to the period April 1 to March 31), FY20 and 9MFY21.

Detailed description of the key rating drivers

Key Rating Weaknesses

Tender driven nature of business: Bidding process in order procurement results into intense competition within the industry, fluctuating revenues and imposes restrictions on profitability. Due to tender driven nature of business and increasing contribution of contract business in TOI, receipt of new orders will be crucial for the growth in the scale of operations of the firm.

Constitution as partnership concern: SEF's constitution as a partnership concern restricts its overall financial flexibility. There is also the inherent risk of withdrawal of capital and dissolution of the firm in case of death/ insolvency of partners. Any significant withdrawals from the capital account will affect its capital structure. The net withdrawal of capital by the partners' was Rs.1.32 crore during FY18.

Moderate capital structure and moderate debt coverage indicators: Capital structure of the firm stood moderate with overall gearing of 2.17 times as on March 31, 2018; although deteriorated from 0.45 times as on March 31, 2017 mainly on account of higher debt on balance sheet date which pertains to mobilization advance and LC backed creditors. Furthermore, total debt to GCA remained moderate though deteriorated at 12.87 times during FY18 from 4.31 times during FY17 in line with increase in gearing level. Liquidity indicators of SEF remained moderate as reflected by current ratio of 1.33 times as on March 31, 2018. Further, its operating cycle remained moderate at 35 days in FY18. As confirmed by two of the bankers, SEF did not avail moratorium.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

*Issuer did not cooperate; Based on best available information

Key rating strengths

Experienced partners with long track record of operations and group support: Being in the industry since 1968, the firm has long and established track record of operations in executing contracts for laying of power transmission lines for various government agencies as well as for private companies. Overall operations of the firm are managed by Mr Babu Lal and Mr Vinay Gupta in managing overall operation of the firm. Further, SEF has well qualified and experienced second line of management team to take care of various functions of the firm.

Increase in scale of operations and improving profitability margins: TOI of the firm grew by around 35% to Rs.100.93 crore in FY18 as against Rs.74.82 crore in FY17 on account of higher execution of orders. SEF's profitability margins remained healthy and improved by 161 bps to 6.57% during FY18 mainly on account of higher margin orders executed and decline in lower margin trading business. SEF's PAT margin has also improved by 110 bps to 2.62% during FY18 in line with improvement in PBILDT margin. Further, SEF has reported total income of Rs.152.49 crore with PBT level of Rs.11.85 crore during 10MFY19.

Long-term association with power sector utilities and healthy order book position providing fair revenue visibility: Being in the industry, SEF has long-term association with various government entities as well private companies and has been successful in getting repeat orders from them. Furthermore, the firm has healthy order book position with total work orders of Rs.124.42 crore as on January 15, 2019 which is 1.23x of TOI of FY18. Tenure of the existing contracts is for typically 2 years which provides fair revenue visibility for the firm in medium term.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology – Infrastructure Sector](#)

[Financial Ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

Jaipur-based (Rajasthan) SEF was formed as partnership concern in 1968 by Mr Babu Lal Gupta and Mr Rajendra Prasad. Subsequently, partnership deed was modified several times and currently Mr Babu Lal Gupta and Mr Vinay Gupta are the partners in the firm. SEF is engaged in execution of turnkey projects for laying of power transmission lines directly and indirectly for government agencies.

| Brief Financials (Rs. crore) | FY17 (A) | FY18 (A) |
|------------------------------|----------|----------|
| Total operating income | 74.82 | 100.93 |
| PBILDT | 3.71 | 6.63 |
| PAT | 1.14 | 2.65 |
| Overall gearing (times) | 0.45 | 2.17 |
| Interest coverage (times) | 2.63 | 3.00 |

A: Audited

As per provisional results of 10MFY19, SEF reported TOI of Rs.152.49 crore and PBT of Rs.11.85 crore.

Status of non-cooperation with previous CRA: Brickwork has, vide its press release dated February 12, 2021, continued to classify its rating under Issuer Not Cooperating category.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|--|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT-Cash Credit | - | - | - | 13.00 | CARE BB-; Stable; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-Letter of credit | - | - | - | 9.00 | CARE A4; ISSUER NOT COOPERATING* |
| Non-fund-based - LT/ST-Bank Guarantees | - | - | - | 40.50 | CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|--|-----------------|--------------------------------|---|---|---|--|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 |
| 1. | Fund-based - LT-Cash Credit | LT | 13.00 | CARE BB-; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (09-Dec-19) 2)CARE BB+; Stable (01-Apr-19) | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (28-Aug-18) | 1)CARE BB; Stable (12-Jun-17) |
| 2. | Non-fund-based - ST-Letter of credit | ST | 9.00 | CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE A4; ISSUER NOT COOPERATING* (09-Dec-19) 2)CARE A4+ (01-Apr-19) | 1)CARE A4; ISSUER NOT COOPERATING* (28-Aug-18) | 1)CARE A4 (12-Jun-17) |
| 3. | Non-fund-based - LT/ST-Bank Guarantees | LT/ST | 40.50 | CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (09-Dec-19) 2)CARE BB+; Stable / CARE A4+ (01-Apr-19) | 1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (28-Aug-18) | 1)CARE BB; Stable / CARE A4 (12-Jun-17) |

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|--|------------------|
| 1. | Fund-based - LT-Cash Credit | Simple |
| 2. | Non-fund-based - LT/ST-Bank Guarantees | Simple |
| 3. | Non-fund-based - ST-Letter of credit | Simple |

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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