

## Sumaja Electroinfra Private Limited

March 21, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	12.60	CARE B; Stable; ISSUER NOT COOPERATING*	Revised from CARE B+; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	50.40	CARE B; Stable / CARE A4; ISSUER NOT COOPERATING*	Revised from CARE B+; Stable / CARE A4 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Sumaja Electroinfra Private Limited (SEPL) to monitor the rating(s) vide e-mail communications dated December 04, 2023, February 12, 2024, February 19, 2024 etc, among others and numerous phone calls. However, despite our repeated requests, SEPL has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating(s) on the basis of best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on bank facilities of SEPL will now be denoted as "CARE B; Stable/ CARE A4 ISSUER NOT COOPERATING\*"

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

The ratings has been revised on account of non-availability of requisite information and no due-diligence conducted due to non-cooperation by SEPL with the CARE Ratings Ltd.'s efforts to undertake a review of the rating(s) outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. Further, the rating takes into consideration the constraints relating to small scale of operations, leveraged capital structure, elongated operating cycle, highly competitive industry with business risk associated with tender-based orders. The ratings, however, continue to draw comfort from the experienced promoters coupled with long track record of operations and moderate profitability margins.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of the key rating drivers:

At the time of last rating on May 25, 2023, the following were the rating strengths and weaknesses. (Updated based on limited information available from Registrar of Companies)

### Key weaknesses

**Small scale of operations:** The scale of operations of the company stood small though improved as reflected by its total operating income (TOI) of Rs.99.76 crore in FY23 from Rs.88.95 crore in FY22 reflecting a growth rate of 12.15% owing to higher execution of contracts pertaining to school bags from its existing customers.

**Leveraged capital structure:** The capital structure of the company stood leveraged as on the past three balance sheet dates ending March 31, '21-'23 on account of high debt levels. The overall gearing ratio stood at 1.29x as on March 31, 2023 showing improvement from 2.19x as on March 31, 2022 mainly on account of low utilisation of working capital borrowings as on balance sheet date coupled with accretion of profits to reserves.

**Elongated operating cycle:** The operations of the company continue to remain elongated as marked by operating cycle of 93 days for FY23 with majority of funds blocked in the receivables on account of delays from the various government departments. In manufacturing segment, the company has liberal credit policies wherein it allows credit period of around 3-4 months to its

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

customers whereas in electrical contracts segment, the company raises bill on milestone basis i.e. on the completion of certain percentage of work and thereon which gets acknowledged after necessary inspection of work done and approval of the documents by the respective departments. Post the approval, department clears the payment within 4-5 months (maximum) by deducting certain percentage of bill raised (~5%-10% of bill amount) in the form of retention money, which they will refund (usually upto 3 years) post completion of the contract. Further, there is normally a procedural delay in relation being customers are primarily government departments/ public sector undertakings. Further, the company receives an average credit period of around 4-5 months from its suppliers. Thus, the average collection period stood elongated at 203 days for FY23.

**Highly competitive industry with business risk associated with tender-based orders:** SEPL operates in a highly competitive industry wherein it faces direct competition from various organized and unorganized players in the market given the low barriers to entry. There are number of small and regional players catering to the same market which has limited the bargaining power of the company and has exerted pressure on its margins. SEPL receives all of its majority of work orders from government/ public sector undertakings. The risk arises from the fact that any changes in geo-political environment and policy matters would affect all the projects at large. Furthermore, any changes in the government policy or government spending on projects are likely to affect the revenues and profits of the company. The company majorly undertakes government projects, which are awarded through the tender-based system. This exposes the company towards risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder.

### Key strengths

**Experienced promoters coupled with long track record of operations:** SEPL is currently being managed by Mr. Brijesh Kumar Pandey, Mr. Arvind Bhargav and Mr. Raghav Agrawal. Mr. Brijesh Kumar Pandey holds accumulated experience of more than three decades in this business through his association with this entity and in individual capacity. He is well supported by Mr. Arvind Bhargav and Mr. Raghav Agrawal; who holds experience of more than a decade in this business through their association with this entity. Further, the promoters are assisted by a team of qualified managerial personnel and technical team having relevant experience in their respective fields. This long-standing experience and expertise in the industry has enabled them to establish good relationship with customers and suppliers.

**Moderate profitability margins:** The profitability margins of the company stood moderate as marked by PBILDT margin stood at 5.84% in FY23 owing to higher margin contracts executed by the company. Further, PAT margin of the company also stood at 5.04% in FY23 as against 1.93% in FY22 backed by increased PBILDT levels.

### Liquidity: Adequate

The liquidity position of the company remained adequate characterized moderate average utilization of its working capital limits remained almost 60% utilized for the past 12 month's period ending April, 2023. Furthermore, the company has moderate free cash & bank balances which stood at Rs.1.11 crore as on March 31, 2023

**Assumptions/Covenants-** Not applicable

**Environment, social, and governance (ESG) risks** - Not applicable

### Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Sumaja Electroinfra Private Limited (SEPL) (formerly, known as Sumaja Exim Private Limited) was incorporated in April, 2005 as a private limited company. The company is currently being managed by Mr. Brijesh Kumar Pandey, Mr. Arvind Bhargav and Mr. Raghav Agrawal. The company is engaged in the manufacturing and supply of school bags, raincoats, socks, school kits, etc. for different government/ public sector undertakings. The company also undertakes electrical contracts on turnkey basis wherein it is engaged in the design, supply, erection, testing and commissioning of grid sub-stations, power control distribution boards, panels, HT/LT (high tension/low tension) cable laying, transmission lines, etc. and other building related electrification works mainly for government/ public sector undertakings which contributes ~35% of the total revenue in FY23. The manufacturing process of the company is done through two units located in Uttar Pradesh.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	11MFY24(UA)
Total operating income	88.95	99.76	NA
PBILDT	4.49	8.19	NA
PAT	1.72	5.02	NA
Overall gearing (times)	2.19	1.29	NA
Interest coverage (times)	1.40	2.31	NA

A: Audited UA: Unaudited; NA: Not available Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not applicable

**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:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	12.60	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	50.40	CARE B; Stable / CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	50.40	CARE B; Stable / CARE A4; ISSUER NOT COOPERATING*	1)CARE B+; Stable / CARE A4 (25-May-23)	1)CARE B / CARE A4; ISSUER NOT COOPERATING* (10-Jan-23)	1)CARE B+ / CARE A4; ISSUER NOT COOPERATING* (27-Oct-21)	1)CARE B+ / CARE A4; ISSUER NOT COOPERATING* (29-Sep-20)
2	Fund-based - LT-Bank Overdraft	LT	12.60	CARE B; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (25-May-23)	-	-	-

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities -Not applicable****Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Annexure-6: List of all the entities consolidated – Not applicable**

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

## Contact Us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>  <b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: 91 22 6754 3444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	<b>Analytical Contacts</b>  Sajan Goyal Director <b>CARE Ratings Limited</b> Phone: 91-120-4452017 E-mail: <a href="mailto:sajan.goyal@careedge.in">sajan.goyal@careedge.in</a>  Shivam Tandon Lead Analyst <b>CARE Ratings Limited</b> Phone: 91-120-4452072 E-mail: <a href="mailto:shivam.tandon@careedge.in">shivam.tandon@careedge.in</a>  Parvdeep Singh Rating Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Parvdeep.Singh@careedge.in">Parvdeep.Singh@careedge.in</a>
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### About us:

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### Disclaimer:

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