

## Shrishti Electromech Private Limited

March 21, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	20.00	CARE B+; Stable; ISSUER NOT COOPERATING*	Rating 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 for the credit enhanced debt

CARE Ratings Ltd has been seeking information from Shrishti Electromech Private Limited (SEPL) to monitor the ratings vide e-mail communications/letters dated January 21, 2024 to March 14, 2024 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the ratings on the basis of the best available information which however, in CARE Ratings Ltd's opinion is not sufficient to arrive at a fair rating. The rating on SEPL's bank facilities will now be denoted as CARE B+; Stable; 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 assigned to the bank facilities of Shrishti Electromech Private Limited (SEPL) continue to remain constrained by volatility in PBILDT margin and thin PAT margin during the review period FY23 (A) [FY refers to the period from April 01 to March 31], leveraged capital structure with weak debt coverage indicators, working capital intensive nature of operations, highly fragmented industry and high level of competition. However, the rating derives strength from improvement in financial performance during FY23 (A) [FY refers to the period from April 01 to March 31], established track record and experienced promoters for more than three decades in electrical equipment industry and stable outlook of electrical equipment industry.

**Analytical approach:** Standalone

**Outlook:** Stable

### Rating sensitivities: Factors likely to lead to rating actions

At the time of last rating on [May 24, 2023](#) the following were the rating strengths and weaknesses

### Detailed description of the key rating drivers:

#### Key weaknesses

**Volatility PBILDT margin and thin PAT margin during FY23:** The PBILDT margin of the company has been fluctuating and improved to 5.07% during the review period FY23 depending on fluctuation in material cost (i.e., Steel, iron etc.,) and SEPL's ability to pass on to its clients given that the agreements are entered in advance. Furthermore, In line with increase in profitability, the PAT margin of the company though thin improved by 69 bps to 1.74% in FY23 (A).

**Leveraged capital structure and weak debt coverage indicators:** The capital structure of the company continued to remain leveraged marked by high overall gearing ratio which though improved to 3.54x in FY23 as against 5.42x in FY22 due to increase in tangible net worth at back of accretion to profits. As on March 31, 2023, the total debt level increased to Rs.27.05 crore which mainly pertains to working capital borrowings of Rs. 14.92 crores, rupee term loans of Rs. 8.37 crore and unsecured loans from directors and relatives of Rs.3.77 crore. Resultant to repayment of term loans and reduction in unsecured loans the debt coverage metric improved though remained weak marked by high TDGCA ratio and interest coverage ratio of 5.74x and 2.32x in FY23 respectively as against 9.97 years and 1.92x.

**Working capital intensive nature of operations:** Despite the working capital-intensive nature of operations, SEPL has managed to improve its operating cycle over the years from 68 days in FY20 to 42 days in FY23 on account of timely receipt of payments. The company makes the payment to its suppliers within 60-90 days and gets some extended credit period from its suppliers based on long term relationship. Further, inventory days increased to 64 days as against 61 days in FY22. However, the average utilization of working capital limit for the last 12 month ended i.e., March 31, 2023 remains almost fully utilised.

<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

**Highly fragmented industry and high level of competition:** The company is engaged in the manufacturing of brown goods viz. home appliances. The consumer durable industry is a highly competitive one characterized by presence of many established Indian and Multinational players in the branded product segments as well as unorganized players in the non-branded segments. Furthermore, there is limited scope of differentiation amongst the products. All this coupled with the increasing import from China etc. leads to a fragmented industry structure having a high level of competition and therefore intense pricing pressures. Furthermore, Indian consumers are highly price conscious as well as price sensitive. This poses a challenge for the manufacturers and suppliers like the company as even a small price variation hugely affects the consumer preference for a specific brand or product.

### Key strengths

**Established track record and experienced promoters in electrical equipment industry:** Tibrewala Ispat Private Limited was incorporated on March 31, 1986 as a private limited company and subsequently the company name changed to current nomenclature Shrishti Electromech Private Limited in October 2019; stating the established track record of operations. SEPL is promoted by Mr Suresh Tibrewala (Managing Director) and his family who have been associated with the electrical appliances industry for over three decades. Due to long standing presence in the market, the promoters have established healthy relationship with its suppliers and customers. The group has two more entities namely Shrishti Electricals Private Limited and Shrishti Technologies which are also engaged in the electrical appliances industries.

**Improvement in financial performance during FY23:** SEPL commenced its operations in the year 1983, and the scale of operations of the company remained moderate over years although, during FY23, SEPL has achieved total operating income (TOI) of Rs. 163.03 crore a CAGR growth rate of 31.35% for the period of FY20-23 driven by growth in demand for home appliances over the years, further supported by work from home which became a norm post covid-19 pandemic. During FY23 (A), the company has earned a PAT of Rs. 1.49 core and positive GCA of ~2.83 crore.

**Stable outlook of Electrical equipment industry:** The Indian Consumer Electronics and Appliances Market was valued at USD78.95 billion in 2021 and is expected to grow at an impressive CAGR of 12.78% in the forecast period, 2023-2027, to reach USD160.03 billion by 2027. The home appliance segment is one of the fastest-growing industries in the Indian market. The market for fans alone is estimated to be worth ₹12,000 crores and it has grown by 10% year-on-year over the past decade. The ceiling fan is going through a revolution wherein the government is pushing to manufacture energy efficient fans since fans account for nearly 25% of a household's electricity consumption. While India buys 40 million ceiling fans each year, no one cares about their efficiency. As a consequence, only 3 out of 100 households use fans that are energy efficient. However, from the 1st of January 2023, the Bureau of Energy Efficiency (BEE) is revamping the system and from now on, ceiling fans will have to display their star ratings. It'll help people make more informed choices. And so, we could see super-efficient (SE) fans finally gain popularity. An SE fan is more advanced in that it uses brushless direct current (BLDC) motor which consumes just 35 W of energy at top speed as against about 75W at top speed of a conventional fan. And according to B&K research, a household with 4 conventional fans can save ₹6,000 annually if they switch to BLDC fans.

**Liquidity:** Stretched

**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](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

Tibrewala Ispat Private Limited was incorporated in the year March 31, 1986 as a private limited. Later on, the name of the company name was changed to 'Adhikasri Electromech Private Limited' on September 15, 2001 and subsequently the company name changed into current nomenclature i.e 'Shrishti Electromech Private Limited' (SEPL) as on October 23, 2019. SEPL is promoted by Jhabarmal Tibrewal (Late), Mr. Suresh Tibrewal and other family members. SEPL is engaged in manufacturing of Electrical fans and their motors located at Balanagar, Hyderabad. SEPL has reputed client base located in various parts of India.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	142.11	163.03
PBILDT	6.00	8.27
PAT	1.49	2.83
Overall gearing (times)	5.42	3.54
Interest coverage (times)	1.98	2.32

A: Audited; 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-Cash Credit		-	-	-	14.75	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	November-2025	5.25	CARE B+; Stable; 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	Fund-based - LT-Term Loan	LT	5.25	CARE B+; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (24-May-23)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (28-Feb-22)	1)CARE B+; Stable (08-Mar-21)
2	Fund-based - LT-Cash Credit	LT	14.75	CARE B+; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (24-May-23)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (28-Feb-22)	1)CARE B+; Stable (08-Mar-21)

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

LT: Long 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	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**

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**About us:**

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