

## Samudra Electronic System Private Limited

April 05, 2024

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	13.51	CARE B+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	9.30	CARE A4; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of facilities in Annexure-1.

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

### Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated April 04, 2023, placed the rating(s) of Samudra Electronic System Private Limited (SESPL) under the 'issuer non-cooperating' category as SESPL had failed to pay the surveillance fees for the rating exercise agreed to in its Rating Agreement. SESPL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated February 18, 2024, February 28, 2024, and March 09, 2024. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating based on the best available information which however, in CARE Ratings Ltd.'s opinion, is not sufficient to arrive at a fair rating.

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

**Analytical approach:** Standalone

**Outlook:** Stable.

### Detailed description of the key rating drivers:

At the time of last rating on April 04, 2023, the following were the rating strengths and weaknesses (Updated basis the FY23 audit report):

#### Key weaknesses

**Small size and scale of operations:** The financial performance of the company was impacted during FY21 due to operational disruptions led by Covid-19 pandemic. However, the business picked-up from H2FY22. The Reported revenue reaches to pre-covid levels from Rs.27.08 crore to Rs.37.63 crore during FY23. The operating margin of the company grew to around 28% similar to FY20 levels. However, the size and scale continue to remain small as represented with revenue below Rs.50 crore during last 3 years and small net worth base of Rs.26 crore as on March 31, 2023. The small size and scale limits the financial flexibility.

**Extended operating cycle impacting the working capital position:** The operating cycle witnessed significant extension during FY21 on account of funds blocked in inventory as well as collections. The same continued as on March 31, 2023, with almost similar outstanding inventory levels (Rs.15.29 crore as on March 31, 2023). With increase in the revenue during FY23, the operating cycle improved, however, continues to be extended at 342 days. The pending realization would be recovered in instalments as per contractual terms thereby blocking the working capital.

<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

**Susceptibility of profitability to input price volatility and forex fluctuation:** The raw material cost forms a major portion of the total cost of sales (around 40% during last three years). The major inputs required are semiconductors and electrical components. The profit is susceptible to volatility in both availability and prices of inputs as has been witnessed with short supply/rising prices of semi-conductors. To protect its profit margins, there is no price escalation clauses in contracts. However, the company build-in the expected escalation at the time of bidding. The profitability is also exposed to fluctuations in foreign currency, as the company imports its maximum materials from overseas markets.

### Key strengths

**Experienced promoters with proven track record of execution:** The promoter of SESPL has over 34 years of experience in power electronics and engineering and has over 16 years of experience in Design, Manufacture, Supply, Execution of High Efficacy LED Street Light Project on ESCO Basis under Energy Performance Contracts. The company has been promoted by Mr. Prafulla Thote who has specialization in Power Electronics. He initially forayed into Design and manufacturing of AC/DC Power supplies, Frequency convertors, UPS systems and Stabilizers. In 2005, he started research work on conversion of high-power LEDs into various lighting fixtures. The promoters of SESPL (Mr. Prafulla Thote and Mrs. Yamini Thote) have filed patents on the unique process of converting LEDs into usable lighting fixtures in Patent Cooperation Treaty (PCT) and non PCT countries. The design patent has been registered for Samudra LED streetlights and are also Bureau of Indian Standards (BIS) Certified. The company has successfully completed street lighting project for various Municipal Authorities and has delivered highest level of energy savings.

**Diversified revenue:** SESPL undertakes supply and execution projects as an ESCO contractor with revenue accruing to the company compensating the supplies (through share in energy saving) and ensuring a regular revenue stream by way of O&M contract. During FY23, the company derived about 20% of the revenue from sale of services (11% in FY22) which comprises the fixed O&M revenue received. The company is presently deriving monthly revenue from 2 completed projects. The fixed O&M component results in high operating margin.

**Satisfactory capital structure:** Capital structure continues to remain comfortable however it weakened with overall gearing of 0.94x as on March 31, 2022 vis-à-vis 0.66x as on March 31, 2023 on account of term loan payments by company which was availed to incur expansion expenditure towards building and plant & machinery.

**Favourable industry outlook:** The Government of India has undertaken several policy initiatives such as UJALA and Street Lighting National Programme (SLNP), etc. with a view to conserve energy. Effective implementation of said policies is estimated to save energy of over 6.97 billion kWh/year. To achieve the target, Government has been promoting use of smart LED streetlights. In recent years, India has demonstrated the possibility of deploying LEDs rapidly on a large scale with the right financing and market mechanism. These augur well for the growth of the company.

### Liquidity: Stretched

The liquidity position is stretched characterized by moderate cushion in accruals (Rs.7.56 crore in FY22) vis-à-vis repayment obligation (Rs.1.23 crore in FY23) and elongated working capital cycle with significant funds blocked in debtors. The working capital limits of the company is almost fully utilized as on January 31, 2023 and the company has cash & bank balance of Rs.0.50 crore as on March 31, 2023.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

## Applicable criteria

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

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[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
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

Incorporated in the year 1987, Samudra Electronic System Private Limited (SESPL) is an ISO 9001:2008 & ISO 14001:2015 Certified Company. The company is based at Pune and has its manufacturing facility at MIDC Baramati, Pune District. SESPL designs and manufactures LED fixtures which are used in domestic lighting, street lighting, industrial lighting, shops & showrooms and Ports. The company undertakes street lighting work orders for mostly Municipal Corporations with supply & installation of LED lights enabling energy saving. The company is registered with Bureau of Energy Efficiency (BEE) as Energy Saving Company (ESCO) since FY11.

### Brief Financials:

Brief Financials (₹ crore)	31-03-2022 (A)	31-03-2023 (A)
Total operating income	27.08	37.63
PBILDT	4.16	12.34
PAT	1.19	6.59
Overall gearing (times)	0.94	0.66
Interest coverage (times)	3.03	7.13

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/facilities:** 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	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	8.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	31-05-2026	5.51	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-ILC/FLC	-	-	-	-	0.30	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-ILC/FLC	-	-	-	-	9.00	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 - ST-ILC/FLC	ST	0.30	CARE A4; ISSUER NOT COOPERATING *	1)CARE A4; ISSUER NOT COOPERATING * (04-Apr-23)	-	1)CARE A4 (09-Mar-22)  2)CARE B+; Stable (11-Oct-21)  3)CARE BBB (CE); Stable; ISSUER NOT COOPERATING * (06-Apr-21)	1)CARE BBB (CE); Stable (05-Oct-20)  2)CARE BBB+ (CE); Stable (02-Apr-20)
2	Non-fund-based - ST-ILC/FLC	ST	9.00	CARE A4; ISSUER NOT COOPERATING *	1)CARE A4; ISSUER NOT COOPERATING * (04-Apr-23)	-	1)CARE A4 (09-Mar-22)  2)CARE A4 (11-Oct-21)  3)CARE A3 (CE); ISSUER NOT COOPERATING * (06-Apr-21)	1)CARE A3 (CE) (05-Oct-20)  2)CARE A3+ (CE) (02-Apr-20)
3	Fund-based - LT-Cash Credit	LT	8.00	CARE B+; Stable; ISSUER NOT COOPERATING *	1)CARE B+; Stable; ISSUER NOT COOPERATING * (04-Apr-23)	-	1)CARE B+; Stable (09-Mar-22)  2)CARE B+; Stable (11-Oct-21)	1)CARE BBB (CE); Stable (05-Oct-20)  2)CARE BBB+ (CE); Stable

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
							3)CARE BBB (CE); Stable; ISSUER NOT COOPERATING * (06-Apr-21)	(02-Apr-20)
4	Un Supported Rating-Un Supported Rating (LT/ST)	LT/ST	-	-	-	-	1)Withdrawn (11-Oct-21) 2)CARE BB+ / CARE A4+; ISSUER NOT COOPERATING * (06-Apr-21)	1)CARE BB+ / CARE A4+ (05-Oct-20) 2)CARE BB+ / CARE A4+ (02-Apr-20)
5	Fund-based - LT-Term Loan	LT	5.51	CARE B+; Stable; ISSUER NOT COOPERATING *	1)CARE B+; Stable; ISSUER NOT COOPERATING * (04-Apr-23)	-	1)CARE B+; Stable (09-Mar-22) 2)CARE B+; Stable (11-Oct-21)	-

\*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 the covenants of the rated 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
3	Non-fund-based - ST-ILC/FLC	Simple

### Annexure-5: Lender details

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

**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 for any clarifications.

## Contact us

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### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

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