

Shreem Electric Limited

May 21, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	314.57	CARE B+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable;
Short Term Bank Facilities	256.82	CARE A4; ISSUER NOT COOPERATING*	Rating continues to remain under 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. had, vide its press release dated March 20, 2023, placed the rating(s) of Shreem Electric Limited (SEL) under the 'issuer non-cooperating' category as Shreem Electric Limited had failed to provide information for monitoring of the rating. Shreem Electric Limited continues to be non-cooperative despite repeated requests for submission of information through e-mails dated February 23, 2024, February 13, 2024, February 03, 2024, and numerous phone calls. 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 rating(s).

The long-term ratings have been revised on account of non-availability of sufficient information to carry out the review.

Analytical approach: Standalone

Detailed description of the key rating drivers:

Key weaknesses

Stagnant scale of operation

SEL's scale of operation remained stagnant. During FY23, the company's total operating income stood at Rs. 261.23 crore vis-à-vis Rs. 287.45 crore in FY22.

Leveraged capital structure and debt coverage indicators.

Capital structure marked by overall gearing continued to remain leveraged in past owing to higher reliance on the external debt to fund its business operations. Overall gearing improved marginally owing to lower utilization of working capital units as on balance sheet date. Debt coverage indicators marked by total debt/GCA deteriorated and stood at 74.21x for FY23 vis-à-vis 63.36x for FY22.

Working capital intensive nature of operation

The operations of SEL are highly working capital intensive in nature due to funds blocked in debtors. SEL receives the payment on percentage completion basis being engaged in EPC business. Moreover, the company needs to provide performance bank guarantees to its customers. The duration of these performance bank guarantees ranges from five to seven years. This further stretches its liquidity position as significant amount of cash remain blocked in margin money against the bank guarantee.

Impending exit of PE investor

In October 2010, SEL had issued compulsorily convertible preference shares to FIL Capital Management (Mauritius) Ltd of Rs.65.99 crore. As per the terms of these shares, SEL has to give investors an exit route within the prescribed time period of three years ending in October 2018, failing which the investors had the right to call upon the company to buy back all or any of the shares stipulated by the investors. As per the revised agreement FIL's put option expiry date was extended till April 01, 2020. Currently, it is mutually decided that PE investor will exit through joint venture partners.

Susceptibility of the profit margin to volatility in the raw material prices

SEL's major raw material includes angles, channels, PP film, C.D oil which form about 25% of the total raw material cost. SEL has a price variation clause built in almost all its contracts; however, the same is based on an average price calculated as per the Indian Electricals and Electronics Manufacturing Association (IEEMA) calculator and not on the actual purchase price. Moreover, there exists no price variation clause for escalation in price of other components/ raw materials such as C.P Oil and cement prices, etc. which are not covered by IEEMA. Hence, SEL's profit margins are susceptible to volatility in input prices to a certain extent.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Highly competitive industry because of the fragmented and tender-driven nature of business

The electrical engineering procurement and construction industry is fragmented in nature with a large number of medium scale players present at regional level. This coupled with the tender-driven nature of contracts poses huge competition and puts pressure on the profit margins of the players. SEL is a regional player with electrical, civil and structural works contracts primarily concentrated towards few clients. Furthermore, SEL faces fierce competition from other companies for new orders.

Deterioration in operating profit margin

PBILDT margin declined marginally and remained at 13.59% in FY23 as against 13.84% in FY22. PAT margin declined to 0.43% in FY23 vis-à-vis 1.09% in FY22.

Key Strengths

Experienced promoters and long track record of the company's operations

Established in 1976, SEL (earlier named as Shreem Capacitors Private Ltd) is promoted by its founding promoter Mr Shahaji R Jagdale. Mr S.R Jagdale has over four decades of experience in electrical engineering industries. Furthermore, Mr S. R. Jagdale is also supported by his sons, Mr Vikas Jagdale (Joint MD) and Mr Vishal Jagdale (ED) who have around two decades of experience in the industry.

Long track record of operations in the electrical component manufacturing and EPC business

SEL has been present in the electrical component manufacturing business since more than four decades. The company is also present in the electrical EPC business since 1996. Over the period of time the company increased its product portfolio from capacitors to other electrical components such as circuit breakers, control and relay panels, lightening arresters, switch gears, panel making, etc. The company is one of the leading domestic manufacturers of medium and high voltage capacitors segment with a total installed capacity of 1,000-million-volt ampere reactor. In EPC segment the company undertakes contract for erection of distribution substations, capacitor banks etc. and has executed various orders up to 400 KVA for several state electricity boards. Besides state electricity boards, SEL also caters to a wide spectrum of transformer users in a variety of industries such as cement, steel, power, railway applications, mining, etc.

Applicable criteria

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

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Nonfinancial Sector](#)

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

[Construction](#)

[Manufacturing Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

Shreem electric Limited (SEL) was incorporated on January 02, 1976, by Mr Shahji R. Jagadale in the name of Shreem Capacitors Private Ltd. On December 30, 2009, the company's name was changed to Shreem Electric Private Ltd. Furthermore, on February 26, 2010, the company was converted into a public limited company, and the name was changed to the present one. SEL is currently into Engineering, Procurement and Construction (EPC) for the erection of sub-stations as well as in the manufacture of components used in EPC. Under the EPC segment, the company has executed various orders up to 400 KVA for various state electricity boards. SEL has backward integration in the form of component/ parts /tower manufacturing facilities. The products manufactured by SEL includes wide range of medium and high/ low voltage capacitors, capacitor banks, circuit breakers, control & relay panels, lightening arrestors, switchgear, water-cooled capacitors, substation structures, etc.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	287.45	261.23
PBILDT	39.79	35.49
PAT	3.13	1.12
Overall gearing (times)	1.30	1.12
Interest coverage (times)	0.99	1.02

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Infomerics Ratings has reviewed ratings of SEL under "Issuer Not cooperating" category vide its press release dated February 23, 2024, on account of its inability to carryout review in the absence of requisite information from the company.

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		-	-	-	251.94	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	10-06-2026	62.63	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	256.82	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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	251.94	CARE B+; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (20-Mar-23)	1)CARE BB; Stable (27-Dec-21)
2	Non-fund-based - ST-BG/LC	ST	256.82	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (20-Mar-23)	1)CARE A4 (27-Dec-21)
3	Fund-based - LT-Term Loan	LT	62.63	CARE B+; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (20-Mar-23)	1)CARE BB; Stable (27-Dec-21)

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

LT: Long term; ST: 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	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 for any clarifications.

Contact us.

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Analytical Contacts Akhil Goyal Director CARE Ratings Limited Phone: +91-22-6754-3590 E-mail: akhil.goyal@careedge.in Ashish Kashalkar Assistant Director CARE Ratings Limited Phone: 91-020-4000-9009 E-mail: Ashish.Kashalkar@careedge.in Akhil Thakrar Rating Analyst CARE Ratings Limited E-mail: akhil.thakrar@careedge.in
--	---

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:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**