

Shri Vaari Electricals Private Limited

September 25, 2024

Facilities/Instruments	Amount (₹ crore)	Rating	Rating Action
Long Term Bank Facilities	10.00	CARE BB; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	25.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable / CARE A4+ and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	4.00	CARE A4; ISSUER NOT COOPERATING*	Downgraded from 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 Limited (CARE) has been seeking information from Shri Vaari Electricals Private Limited (Shri Vaari) to monitor the ratings vide e-mail communications dated July 05, 2024, September 09, 2024, among others 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 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. The rating on Shri Vaari's bank facilities will now be denoted as **CARE BB; 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 ratings.

The ratings have been revised on account of non-availability of requisite information due to non-cooperation by Shri Vaari with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.

The ratings are constrained by the company's moderate scale of operations, elongation in collection period, susceptibility of its profitability margins to fluctuations in raw material price and presence of the company in a highly competitive industry. However, the ratings derive comfort from its moderate capital structure, established and reputed customer base, and experience of the promoters.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on September 12, 2023, the following were the rating strengths and weaknesses.

Key weaknesses

Moderate and stagnant scale of operations:

The company did not undertake the previously estimated large order of ₹ 250.00 Cr and hence its scale of operations remained stagnant at ₹ 94.17 Cr in FY23 (PY: ₹ 92.99 Cr). The scale of the company has remained within ₹80-100 Cr over the last 5 years (except for ₹ 62.00 Cr registered in FY21 on account of COVID-19). However, the company has been able to obtain orders from reputed MNC clients and has been operating with diversified base and the company had an outstanding order book of ₹ 109.00 Cr as on FY23 end comprising of these MNC clientele.

Exposure of profitability margins to raw material prices:

The cost of raw materials accounts for nearly 50-60% of company's cost structure. Steel sheets, aluminium, copper, cables, switchgears, and electrical accessories forms the major raw materials for the company which generally exhibit high volatility in its prices. This risk is mitigated in part by the company's involvement in short-term and medium-term projects (i.e., between 2 – 18 months), along with order back raw material purchase and entering only cost-plus contracts.

Presence in highly competitive industry:

Electrical equipment industry is highly fragmented, and the company faces competition from both organised and unorganised players in the industry. Further, due to the tender driven nature of business, the company also faces pricing pressures thus affecting its profitability margin.

Key Strengths

Extensive Experience of the Promoters:

Shri Vaari is promoted by V. Rengarajan (Managing Director), N. Sivagaminathan (Executive Director), and other family members. Both directors have spent over three decades in the same sector. They have overseen the company's operations since its inception.

Moderate capital structure and comfortable debt coverage metrics:

Though the net worth base of the company stood low at ₹ 32.41 Cr as on March 31, 2023, its overall gearing and total outside liabilities / tangible net worth (TOL/TNW) stood moderate at 0.82x and 1.19x respectively. For FY23, the interest coverage level stood comfortable at 2.42x.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[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

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

Shri Vaari, incorporated in 2005, is engaged in production and assembly of custom electrical panel boards. It also provides turnkey solutions and does maintenance work. V. Rengarajan and N. Sivagaminathan currently oversee the company's operations.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	June 30, 2023 (UA)
Total operating income	92.99	94.17	30.00
PBILDT	8.12	8.18	NA
PAT	2.91	3.25	NA
Overall gearing (times)	0.78	0.82	NA
Interest coverage (times)	2.50	2.42	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	25.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	4.00	CARE A4; ISSUER NOT COOPERATING*

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

Annexure-2: Rating history for 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	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	25.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (12-Sep-23)	1)CARE BB+; Stable / CARE A4+ (20-Oct-22) 2)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (10-Jun-22)	-
2	Non-fund-based - ST-Letter of credit	ST	4.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+ (12-Sep-23)	1)CARE A4+ (20-Oct-22) 2)CARE A4; ISSUER NOT COOPERATING* (10-Jun-22)	-
3	Fund-based - LT-Cash Credit	LT	10.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (12-Sep-23)	1)CARE BB+; Stable (20-Oct-22) 2)CARE BB; Stable; ISSUER NOT COOPERATING* (10-Jun-22)	-

*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 rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

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

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Sandeep P Director CARE Ratings Limited Phone: +91-44-2850 1002 E-mail: sandeep.prem@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in	Naveen S Associate Director CARE Ratings Limited Phone: +91-42-2450-2305 E-mail: naveen.kumar@careedge.in
	Vishnu Raghavan R Rating Analyst CARE Ratings Limited E-mail: Vishnu.Raghavan@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 detailed Rationale Report and subscription information,
please visit www.careedge.in**