

## Anant Electricals & Engineers

April 10, 2020

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long term Bank Facilities	11.80	CARE B; Stable, ISSUER NOT COOPERATING* (Single B; Outlook: Stable, ISSUER NOT COOPERATING)	Rating revised from CARE B+; Stable (Single B Plus; Outlook: Stable) ISSUER NOT COOPERATING (Based on best available Information)
Proposed Long/Short term Facilities	3.20	CARE B; Stable/ CARE A4 ISSUER NOT COOPERATING* (Single B; Outlook: Stable/A Four, ISSUER NOT COOPERATING)	Rating revised from CARE B+; Stable/CARE A4 (Single B Plus; Outlook: Stable/A Four) ISSUER NOT COOPERATING (Based on best available Information)
<b>Total Facilities</b>	<b>15.00</b> (Rs. Fifteen Crore Only)		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Anant Electricals & Engineers (AEE) to monitor the ratings vide e-mail communications/ letters dated January 13, 2020, March 02, 2020, March 04, 2020 and numerous phone calls. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. Further, AEE has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. In line with the extant SEBI guidelines CARE's rating on AEE's bank facilities 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 long term rating has been revised on account of significant decline in profit margins, weak liquidity position in FY19, decrease in scale of operation in 9MFY20 (provisional) coupled with low order book position.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

***Small scale of operations and moderate profit margin:*** Total operating income (TOI) of the firm continued to remain small however grown significantly to Rs. 43.81 crore in FY19 (vis-à-vis Rs. 12.44 crore in FY18) due to increase in no. of order received and executed by firm in FY19. AEE has achieved total operating income of Rs. 12 crore till in 9MFY20. Further, the tangible net worth of the firm continued to remain small at Rs.2.87 crore due to low capitalization during past despite long track record of operations which further limits the financial flexibility of the company to the extent.

Operating profit margins of firm continued to be moderate and declined to 11.30% in FY19 from 18.73% in FY18 mainly on account of increase in expense towards projects, employee cost in FY19. Further in line with PBILD margin, net profit margin also declined to 2.65% in FY19 from 5.53% in FY18 on account of increase in depreciation and interest cost in FY19.

***Highly leveraged capital structure and weak debt coverage indicators:*** Capital structure of the firm continued to remain leveraged with improvement in overall gearing of the firm to 12.41x as on March 31, 2019 from 16.06x as on March 31, 2018 on account of increase in net worth base with accretion of profit despite withdrawal of capital by partners of Rs. 0.41 crore as on March 31, 2019. Owing to increase in gross cash accruals, total debt to gross cash accruals improved and remained at 9.76x in FY19 vis-à-vis 42.00x in FY18. Further interest coverage ratio also improved to 2.70x in FY19 from 1.38x in FY18 due to proportionately higher increase in PBILD compared to increase in interest cost in FY19.

***Highly working capital intensive nature of operations:*** Working capital cycle of the firm improved to 114 days in FY19 vis-à-vis 530 days in FY18 mainly due to improvement in collection and inventory holding period. However operations of AEE

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications.

continued to remain working capital intensive mainly on account of funds being blocked in inventory (average inventory period is 131 days) and receivables (avg. collection period is 83 days). Firm receives the payment on work completion basis and within 30 days after raising the invoice however due to slowdown in power sector payment got stuck and the inventory also remained high. Further on the other hand it makes payment within two to three months to its suppliers which led to high creditors' period of 101 days in FY19.

**Weak liquidity position:** Liquidity position stood weak with current ratio of 0.83x and quick ratio of 0.49x as on March 31, 2019. Further free cash and bank balance remained low at Rs. 0.52 crore as on March 31, 2019 vis-à-vis Rs. 0.56 crore as on March 31, 2018. Moreover, the working capital limits of the firm remained fully utilized for past twelve months ended December 2019.

**Susceptibility of profit margins due to volatile raw material prices:** The material is the major cost driver (constituting about 96% of total cost of sales in FY19) and the prices of the same are volatile in nature therefore cost base remains exposed to any adverse price fluctuations in the prices of the products. Electrical goods being major cost components amongst all material which are volatile in nature. Accordingly, the profitability margins of the firm are susceptible to fluctuation in material prices. With limited ability to pass on the increase in material costs in a competitive operating spectrum, any substantial increase in material costs would affect the firm's profitability.

**Presence in competitive and fragmented and labour intensive industry:** Firm operates in a highly competitive and fragmented electrical goods industry. The firm witnesses intense competition from both the other organized and unorganized players domestically. This fragmented and highly competitive industry results into price competition thereby posing a threat to the profit margins of the companies operating in the industry. Further the operations are labour intensive as it is dependent on skilled and availability of labour.

**Partnership nature of constitution:** Being a partnership form, AEE has inherent risk of withdrawal of partners' capital at the time of personal contingency. Further entity has withdrawn the capital of Rs. 0.41 crore in FY19. Furthermore, it has restricted access to external borrowings where net worth as well as creditworthiness of the partners are the key factors affecting credit decision of the lenders. Hence, limited funding avenues along with limited financial flexibility have resulted in small scale of operations for the entity.

#### Key rating Strengths

**Long track record of operations and experienced partners in the industry:** Firm possesses long track record of operations of around three decades and is managed by Mr. Rahul Joshi and Ms. Manisha Akhave who have rich experience for more than two decades in the industry. All the partners are assisted by experienced management team in the field of accounts, sales and operations to carry out day-to-day operations of the company. Firm has presence in various states of India.

**Established relations with reputed clientele along with moderate order book position:** AEE has maintained long-standing & established relationship with the reputed clients in power sector viz. Inox Wind Limited, Tata Power Limited, Suzlon Energy Limited, Siemens Gamesa Renewable Energy Limited for which the entity does various types of setting up transmission lines and substation. Further, AEE has moderate unexecuted order book of Rs. 12.30 crore (0.28x of total operating income of FY19) which is likely to be executed by March 31, 2020.

Analytical approach – Standalone

#### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

#### About the Company

Anant Electricals & Engineers (AEE) was established in 1990 as a partnership firm by Mr. Rahul Joshi and Ms. Manisha Akhave. AEE is engaged in the business of setting up transmission lines and substation for the players for power sector companies namely Inox Wind Limited, Tata Power Limited, Siemens Gamesa Renewable Energy Limited, etc. AEE has presence in the various states of India. Registered office of the firm is located in Thane, Maharashtra.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	12.44	43.81
PBILDT	2.33	4.95
PAT	0.69	1.16
Overall gearing (times)	16.06	12.41
Interest coverage (times)	1.38	2.70

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History (Last three years): Please refer Annexure-2

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	7.80	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information
Non-fund-based - LT-Bank Guarantees	-	-	-	4.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4 on the basis of best available information
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	3.20	CARE B; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable / CARE A4 on the basis of best available information

\*Based on best available information

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	7.80	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable on the basis of best available information	1)CARE B+; Stable (29-Jul-19)	-	-	-
2.	Non-fund-based - LT-Bank Guarantees	LT	4.00	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4 on the basis of best available information	1)CARE A4 (29-Jul-19)	-	-	-
3.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	3.20	CARE B; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B+; Stable / CARE A4 on the basis of best available information	1)CARE B+; Stable / CARE A4 (29-Jul-19)	-	-	-

\*Based on best available information

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

### Disclaimer

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