

December 08, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF STAR DELTA TRANSFORMERS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	19.07	CARE BBB (Triple B)	Reaffirmed
Short-term Bank Facilities	5	CARE A3+ (A Three Plus)	Reaffirmed
Long-term / Short-term Bank Facilities	16	CARE BBB / CARE A3+ (Triple B / A Three Plus)	Reaffirmed
Total	40.07 (Rupees Forty crore and Seven lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Star Delta Transformers Limited (SDTL) continue to derive strength from its established track record of operations of over three decades, long association with reputed clientele and its financial risk profile marked by comfortable capital structure and comfortable debt coverage and liquidity indicators.

The ratings, however, continue to remain constrained on account of high customer concentration, SDTL's presence in the highly competitive and fragmented transformers industry and susceptibility of profitability to fluctuation in raw material prices. The reaffirmation of the ratings factors the decline in the total operating income (TOI) and profitability of SDTL during FY15 (refers to the period April 1 to March 31). However, the reaffirmation also positively factors substantial improvement in the capital structure as on March 31, 2015 and improvement in the TOI and order book position during H1FY16 (H1 refers to the period from April 1 to September 30).

The ability of SDTL to increase the scale of operations along with the diversification of the customer base would be the key rating sensitivity. SDTL's ability to maintain profitability margins and improve working capital cycle in light of volatility in raw material prices and stiff competition would also be equally crucial.

Background

Promoted by Mr Kishore Gupta and Mr Rakesh Gupta, Bhopal-based (Madhya Pradesh) SDTL was incorporated in February 1977. SDTL, an ISO 9001:2008 certified company, is engaged in manufacturing of power and distribution transformers. The company has a state-of-the-art facility at Industrial Area, Govindpura, Bhopal which is equipped to manufacture & test transformers upto 40 Mega Volt Ampere (MVA), 132 Kilovolt class. SDTL is having reputed clientele base from public sector enterprises (PSE) like Maharashtra State Electricity Distribution Co. Ltd (MSEDCL), Orissa Power Transmission Corporation Limited (OPTCL), Madhya Pradesh Poorv Kshetra Vidyut Vitran (MPPKVV) etc.

As per the audited results of FY15, SDTL reported profit after tax (PAT) of Rs.1.68 crore on a total operating income (TOI) of Rs.53.42 crore as against PAT of Rs.3.06 crore on a TOI of Rs.66.59 crore. During H1FY16, SDTL reported TOI of Rs.27.66 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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