



Rating Rationale

Electrospark

11 Sep 2018

Brickwork Ratings assigns 'BWR BB+/A4+' for the Bank Loan Facilities of Rs. 10.30 Crs of Electrospark ('ESPK' or 'the Firm')

Particulars

Facility *	Amount (Rs. Crs)	Tenure	Rating^
<u>Fund Based</u>			
CC	6.50	Long Term	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable
TL	1.30		
<u>Non Fund Based</u>			
BG	2.50	Short Term	BWR A4+ (Pronounced as BWR A Four Plus) Status: Assigned
LC (Sub-limit of BG)	(2.50)		
Total	10.30 (INR Ten Crore and Thirty Lakh Only)		

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

*Annexure-I provides details of bank wise facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Firm upto FY17, provisional financial information for FY18, projected financials for FY19 and FY 20, publicly available information and information/clarifications provided by the management.

The rating draws strength from the promoter's experience in the industry, above average financial risk profile and good short term revenue visibility. Rating, however, is constrained by stretched liquidity position, modest scale of operations and lack of foreseeable succession and management continuity plan.

Going forward, the ability of the firm to consistently grow its sales and improve its tangible net worth position would be the key rating sensitivities.

11 Sep 2018



Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Key Rating drivers

Credit strengths

- **Experienced management**

Promoters of the business have long experience in this line of business.

- **Above average financial risk profile**

Overall financial risk profile of the firm is above average and has improved during FY18 as compared to that in FY17 due to improvement of Equity base of the business. Profitability of the business also shows positive trend. Although, leverage during FY 18 is below benchmark levels, Interest and Debt coverage and profit margins are comfortable.

- **Good short term revenue visibility**

During current year, for five months ending August 2018, firm has reported revenues of Rs.32 crs and orders worth Rs.22 crs pending at hand for execution.

Credit Weaknesses

- **Constrained liquidity with full utilization of WC and lack of succession and management continuity plan**

Average utilization of bank CC limit has been almost 100% during the past 12 months with current ratio at 1.20 (FY18 Prov) reflecting constrained liquidity in the business. Also, business is a proprietorship and single handedly run by Mr. PKN Nambiar, aged 66 years with no foreseeable succession plan in the business.

- **Modest Scale of operations**

Although, firm has clocked revenues of Rs.77.42 crs (provisional during FY 18) against net revenues of Rs.43.92 crs during FY17, the current scale of operations is modest considering the revenue and growth potential of peers in the industry.

Rating Outlook: Stable

BWR believes ESPK's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case of improvement in Tangible net worth and scale of operations of the business. The rating outlook may be revised to 'Negative' in case of stagnation in sales.



Background:

M/s Electrosark, prop. firm run by Mr. P K N Nambiar and established in 1996 with its facilities at Plot no. 77, Sector 8, IMT Manesar, Gurgaon, is engaged in manufacturing and supply of wooden racks, display shelves, retail display stands, ironing boards service provider of sheet metal fabrication of components.

With a total area of 200000 sq. ft. and employee strength of 200, firm is equipped with world class CNC machines. A member of IGBC, firm is ISO 9001 certified by TUV - Germany and ISO 14001/18001 - certified by Quality Swiss SMETA SEDEX Pillar - II & IV certified by URS verification Pvt Ltd.

Financial Performance

During FY17, ESPK reported net revenues of Rs. 43.92 Crs and PAT of Rs.1.01 Crs as against net revenues of Rs.50.06 Crs and PAT of Rs.0.90 Crs in FY16. On a provisional basis, the Firm reported revenues of around Rs.77.42 Crs for FY18.

Key financial indicators are furnished in Annexure II.

Rating History for the last three years:

Facility	Current Rating (Sept. 2018)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2017	2016	2015
<u>Fund Based</u> CC TL <u>Non Fund Based</u> BG LC (Sub limit to BG)	Long Term Short Term	6.50 1.30 2.50 (2.50)	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable BWR A4+(Pronounced as BWR A Four Plus) Status: Assigned	N/A	N/A	N/A
Total		10.30	INR Ten crores and Thirty Lakhs only			

Status of Non cooperation with other CRA : Ind Ra BB+/A4+ (Stable) (July, 2018) (Non-Cooperation)



Any other information : Not applicable.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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Annexure I

Details of Rated Bank Facilities

Bank	Facilities	Rated Amount (Rs Crs)
Federal Bank, Hauz Khas	<u>Fund Based</u>	
	CC	6.50
	TL	1.30
	<u>Non Fund Based</u>	
	BG	2.50
	LC (Sub-limit of BG)	(2.50)
	total	10.30



Annexure II Key Financial Indicators

Particulars		FY17	FY18
Net Revenues	(Rs. Cr)	43.92	77.42
EBITDA	(Rs. Cr)	3.92	6.87
PAT	(Rs. Cr)	1.01	4.10
Tangible Net Worth	(Rs. Cr)	3.62	9.17
Total Debt:TNW	(Times)	3.78	1.37
Current Ratio	(Times)	0.97	1.20

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf. Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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