Rating Rationale

Scenario Powertech Pvt. Ltd.

17 June 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 6.00 Crores of Scenario Powertech Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	4.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable
Non Fund Based	2.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	6.00	INR Six Crores Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon audited financial results upto FY19, projections provided by the company, publicly available information and information/clarifications provided by the company management.

The rating assigned, factors the increase in revenues, moderate financial risk profile, the industry experience of promoters and their established relationship with suppliers. The ratings are however constrained by high gearing level, working capital intensive operations.

Description of Key Rating Drivers

Credit Strengths:

1. **Growth observed in revenue :** Due to the start-up phase of operations (commenced in April 2017) the revenue stood low at around 6 crs; however in 2019 the company recorded a revenue of Rs 20.00 crs, a growth of 218% over last Financial.

2. **Experienced promoters:** The promoters have an experience of over a decade in the insulator industry and have a long association with customers. This is expected to help establish a strong market presence.

3. **Moderate financial risk profile:** Considering the scale of operations and level of debt, the company has a low networth of Rs.2.24 Crs in FY19. Further, the concern has comfortable debt protection metrics with ISCR and DSCR at 2.49 times and 1.33 times in FY19. Moderately high gearing level on account of low networth and high debt. Net profit margins stand comfortable at 4.16% in FY 18.

Credit risks:

1. **Working capital-intensive operations**: Sizeable working capital requirement is expected because of a longer receivables cycle and moderate inventory. Gross current assets are likely to remain high over the medium term.

2. **Stability yet to be obtained** The company has observed improvement in overall financial profile; however improvement in scale of operations and financial stability is yet to be observed for the company.

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).

Rating Outlook: *Stable*

BWR believes the **Scenario Powertech Pvt. Ltd.** 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 the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

SPPL was incorporated in 2016, promoted by Mr Ketul Patel, Mr Ankit Patel, Mr Jigar Patel, Mr Rashmikant Patel, Mr Yashdeep Patel, and Mr Dharmendra Patel, all family members.The company manufactures polymer insulators of 11-756 kilovolt at its facility is located in Himatnagar, Gujarat.

Company Financial Performance

SPPL has observed an increase in net revenue from FY18(A) to FY19(A) by 218.54%. EBITDA margins have declined from 13.31% in FY18 to 7.82% in FY19 on account of increase in scale of operations.

Key Financial Indicators

Key Parameters	Units	2019	2018
Result Type		**Audited**	**Audited**
Gross Sales	₹ Cr	20.10	6.31
EBITDA	₹ Cr	1.33	0.73
PAT	₹ Cr	0.71	0.09
Tangible Net worth	₹ Cr	2.24	1.49
Total Debt/Tangible Net worth	Times	2.28	3.52
Current Ratio	Times	1.41	1.37

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1	**Fund Based**	Long Term	4.00	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	N.A	N.A	N.A
2	**Non Fund Based**	Short Term	2.00	BWR A4 (Pronounced as BWR A Four)	N.A	N.A	N.A
	Total		**6.00**	**₹ Six Crores Only**			

Status of non-cooperation with previous CRA (if applicable)-N.A

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

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.

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