



## Rating Rationale

### Shakti Engineering Industries

29 Mar 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 6.00 Crores of Shakti Engineering Industries.

## Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit	5.00	Long Term	<b>BWR BB-</b> [Pronounced as BWR Double B Minus] <b>(Outlook:Stable)</b>
Non Fund Based Bank Guarantee	1.00	Short Term	<b>BWR A4</b> [Pronounced as BWR A Four]
<b>Total</b>	<b>6.00</b>		<b>INR Six Crores Only</b>

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

## Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial of the firm upto FY18, publicly available information and information/clarifications provided by the management of the firm.

The rating draws strength from the experience of the proprietor, relationship with the customers and suppliers, growth in revenues and satisfactory liquidity.

The ratings are however, constrained on account of low net worth, inherent risk as associated with being a sole proprietorship firm, highly competitive nature of industry and working capital intensive nature of operations.

Going forward the ability of the firm to increase its scale of operations with improved revenues and profits & profitability margins and manage its working capital efficiently would be the key rating sensitivities.



## Description of Key Rating Drivers

- **Credit Strengths:**

- **Extensive Experience Of The Proprietor :** It is a sole proprietorship firm by Mrs Pushpa Dangayach who is supported by a team a qualified professionals. She has an experience of more than a decade in the industry.
- **Capital Infusion Over The Years :** There has introduction of capital over the years in the firm as reflected by the increasing net worth to Rs 1.57cr in FY18 from Rs 1.30cr in FY17.
- **Growth In The Revenue :** There has been a growth of 78.72% in the sales of the firm in FY18. As informed by the management the firm has

- **Credit Risks:**

- **Sole Proprietorship Firm :** The inherent risk as associated with being a sole proprietorship firm wherein any withdrawal of capital by the proprietor for any personal contingency would adversely affect the capital structure of the firm.
- **Small Scale Of Operations:** The firm has a relatively small scale of operation as indicated by a total operating income of Rs 21.40cr in FY18 which has improved from FY17 but still continues to remain low.
- **High Competition :** The market consists of several small and large players from organized and unorganized sectors. The firm faces competition from such player.

## 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).

### Liquidity Profile:

The firm has no liquid investments and cash balances in FY18 is Rs. 0.04 crs. The firm is availing the facility of cash credit. The utilization for the same stands at 91.53%. Conversion Cycle stands at 109 days. There is a LTB of Rs 3.01cr, however, the firm has not provided us with any cash flows for the same. The firm has a DSCR of 1.06X & ISCR of 1.49X in FY18. Current ratio of the firm stands at 1.49X in FY18. There are no subsidiary.

Liquidity profile of the company is moderate with nature of the business line being the underlying factor. Imbalance in the payables and receivables will change the profile outlook.



### **Rating Outlook: Stable**

BWR believes the **Shakti Engineering Industries** 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**

Shakti Engineering Industries incorporated in 2005 is in the business of manufacturing & exporting of all grades of aluminium rods, ACSR Conductors, Bare Aluminium & Copper Wire/strips, Paper Covered Winding Wire/Strips (Aluminium & Copper) enamelled Winding Wire/Strips (Aluminium & Copper), section flats & wires without enamelling, paper covering and production. These products have diverse application in transformer, motor, panel building, switchgear, substations heat exchanger and tubing industries.

### **Company Financial Performance**

The firm has earned a total operating income & PAT of Rs 21.34cr & Rs 0.42cr in FY18 vis-a-vis Rs 12.18cr & Rs 0.23cr in FY17. As informed by the management, the firm has earned sales of Rs 34.79cr as per 11MFY19 provisionals.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
	<b>Fund Based</b>	Long Term	5.00	<b>BWR BB-</b> [Pronounced as BWR Double B Minus] <b>(Outlook:Stable)</b>	NA	NA	NA
	<b>Non Fund Based</b>	Short Term	1.00	<b>BWR A4</b> [Pronounced as BWR A Four]	NA	NA	NA
	<b>Total</b>		<b>6.00</b>	<b>₹ Six Crores Only</b>			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments - NA  
Any other information - NA

### Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	21.34	12.18
EBITDA	₹ Cr	1.42	0.92
PAT	₹ Cr	0.42	0.23
Tangible Net worth	₹ Cr	1.57	1.30
Total Debt/Tangible Net worth	Times	3.99	4.54
Current Ratio	Times	1.49	1.68



**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Company](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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.



#### **DISCLAIMER**

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