Rating Rationale

Space Age Associates Power Infra Pvt. Ltd.

17 Mar 2021

Brickwork Ratings downgrades the Long Term Rating to BWR BB- with outlook changed to Negative and reaffirms the short term rating at BWR A4 for the Bank Facilities of Rs.58.50 Crs of Space Age Associates Power Infra Pvt. Ltd. ('SAAPIPL' or 'the Company')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present #		Previous (Oct 2019)	Present (Mar 2021)
Fund based	13.50	**13.50**	Long Term	BWR BB/Stable	**BWR BB-/Negative Downgraded**
Non-Fund Based	45.00	**45.00**	Short Term	BWR A4	**BWR A4 Reaffirmed**
Total	**58.50**	**58.50**	**INR Fifty Eight Crores and Fifty Lakhs Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Annexure I shows the detailed facilities

RATING ACTION/OUTLOOK: Downgraded/Negative

Brickwork Ratings downgrades the long term rating with the outlook changed to negative and reaffirms the short term rating.

The downgradion of long term rating is on account of decline in revenue levels in the 9MFY21 period and the Outlook is changed to Negative due to expected subdued performance mainly on account of depleted order book position.

The ratings continue to draw strength from the promoter's experience in the industry and comfortable capital structure of the Company. The rating is however constrained by relatively small scale of operation in a highly competitive industry, moderate profitability resulting in moderate debt coverage indicators, weak and concentrated order book position, working capital intensive and tender-based nature of business operations.

KEY RATING DRIVERS

Credit strengths:

- **Promoter's experience**

  The main promoter of SAPIPL, Mr. Vinayak Patil has more than 3 decades experience in undertaking electrical contracts for government entities like MSEDCL, PWD & MIDC etc. He is supported by his sons i.e. Mr. Nilesh Patil and Mr. Kamlesh Patil, who have been associated with SAAPIPL for around a decade. SAAPIPL's long standing presence in the industry allows it to receive a longer credit period from its suppliers.

- **Comfortable capital structure**
  Owing to a relatively healthy networth base of Rs.34.55 Crs as on March 31, 2020, the total gearing has remained comfortable at 0.32x as against 0.63x as on March 31, 2019.

Credit Weaknesses

- **Small scale of operations and moderate debt coverage indicators**
  In spite of having a long track record in the industry, the scale of SAAPIPL's operations has remained small due to geographical concentration of the business. The Company reported a TOI of Rs.57.00 Crs for FY20 which has declined to Rs.21.66 Crs for 9MFY21 period. Further, due to competition in the market operating profit margins of the Company have remained moderate at 10.11% in FY20 as against 12.29% in FY19. The operating profit margins and debt coverage indicators for FY21 are expected to deteriorate due to significant decline in top line.

- **Weak and Concentrated order book position**
  As of February 2021 the outstanding order book of the Company was low at Rs.17.08 Crs. All these orders are received from MSEDCL only and there have been no new orders in the last 12 months. Further, in recent years there had been significant delays in bill clearance by MSEDCL which exposes the Company to a risk of cash flow crunch in the event of any severe delays in bill clearances. The depleted order book position has also resulted in a low utilisation of working capital facilities.

- **Working capital intensive and tender based nature of the business**
  Due to delays in payment by MSEDCL, the receivable days of the Company, though improved, have remained high at 93 days as on March 31, 2020 as against 155 days as on March 31, 2019. Further, the contracts are received on a tender basis and the highly competitive nature of the industry exerts pressure on SAAPIPL's profitability.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied upon the audited financials of the Company upto FY20, Projections upto FY22 and publicly available information and information/clarifications provided by the management.
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 SENSITIVITIES

Going forward the ability for the Company to substantially increase its order book, diversify its customer base and efficiently manage its working capital would be the key rating sensitivities.

Positive: If the Company manages to increase its order book substantially and increase its customer base then the outlook can be revised to stable and would be positive for the ratings.
Negative: If the Company fails to increase its order book and any significant deterioration in financial performance could be negative for the ratings.

LIQUIDITY POSITION: Adequate
The liquidity position of the Company is adequate as its current ratio as on March 31, 2020 stood at 2.40x and due to limited order book the CC utilization is also low at 40%. Further, the Company had cash & bank balance of Rs.6.16 Crs as on March 31, 2020.

Company Background
SAAPIPL is a Pune based company promoted by Mr. Vinayak Patil in 1985 as a partnership firm and was reconstituted in 2010 as a private limited company. The Company provides electrical turnkey solutions for state government/semi government and private companies.
The scope of work includes Design, Site Construction, Supply of materials for installation, Erection of substation, Erection of distribution transformer centres (DTC) etc. The Company has executed contracts for entities like Maharashtra State Electricity Distribution Company Limited (MSEDCL), Maharashtra Energy Development Authority (MEDA), Maharashtra State Road Development Corporation (MSRDC) etc.

KEY FINANCIAL INDICATORS

		31.3.2020 Audited	**31.3.2019 Audited**
Total Operating Income	(Rs. Cr)	57.00	40.80
EBITDA	(Rs. Cr)	5.76	5.02
PAT	(Rs. Cr)	3.04	1.99
Tangible Networth	(Rs. Cr)	34.55	31.51
Total Debt:TNW	(Times)	0.32	0.63
Current ratio	(Times)	2.40	2.18

KEY COVENANTS OF INSTRUMENTS/FACILITIES TO BE RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NA

Rating History for the last three years: (Including withdrawal and Suspended)

Sl. No.	**Facility**	**Current Rating (Mar 2021)**			**Rating History**		
		Type	**Amount (Rs. Crs)**	**Rating**	**2020**	**Oct 2019**	**2018**
1	**Fund based**	Long Term	13.50	**BWR BB-/Negative Downgraded**	-	**BWR BB/Stable Assigned**	-
2	**Non-Fund Based**	Short Term	45.00	**BWR A4 Reaffirmed**	-	**BWR A4 Assigned**	-
			58.50	**INR Fifty Eight Crores and Fifty Lakhs Only**			

COMPLEXITY LEVELS OF THE INSTRUMENTS
For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- General Criteria
- Short Term Debt
- Approach to Financial Ratios
- Infrastructure Sector

<table>
<tr><th colspan="2">Analytical Contacts</th></tr>
<tr><td>Prashant Mondkar
Analyst - Ratings
Board:+91 22 2831 1426 Ext:649
prashant.sm@brickworkratings.com</td><td>Chintan Lakhani
[Director – Ratings]
Board:+91 22 2831 1426
chintan.l@brickworkratings.com</td></tr>
<tr><td>1-860-425-2742</td><td>media@brickworkratings.com</td></tr>
</table>

Annexure I
Details of Rated Bank Facilities

Bank	Name of Facility	Nature of the Facility	Rated Amount (Rs. Crs)
Union Bank of India	Cash Credit	Fund Based- Long Term	13.50
	Letter of Guarantee	Non Fund Based- Short Term	36.00
	Inland LC-1		9.00
	Inland LC-2		(5.00)*
Total			**58.50**

*Sub-limit of Cash Credit

Total Rupees Fifty Eight Crores and Fifty Lakhs Only

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters 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.

Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.