

Rating Rationale

Switchgears Structural (INDIA) P. Ltd.

15 Oct 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 25.00 Crores of Switchgears Structural (INDIA) P. Ltd..

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Cash Credit Fund based	10.50	Long Term	BWR BB (BWR Double B) Outlook: Stable.
SBLC Fund Based	0.25		
Letter of Credit Non Fund Based	2.50	Short Term	BWR A4 (BWR A Four)
Bank Guarantee Non Fund Based	11.75		
Total	25.00	INR Twenty Five 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 essentially relied upon the audited consolidated financials of FY17, provisional consolidated financial statements for FY18, Projected financials of Switchgear Structural (India) Private Limited upto FY20, publicly available information and information/ clarifications provided by the company's management.

The rating draws strength from the experience of the promoters in the Electrical Equipment Industry, nature of business operations, comfortable order book position, company's track record & established client base, comfortable capital structure & moderate debt servicing metrics, Technical Support from holding company operating in the same line of business. However, the rating is constrained by the fluctuating trend in revenue generation and modest scale of operations.



Going forward, the ability of the company to increase its scale of operations, improve its profitability, ensure timely realisation of its receivables and effectively manage its working capital will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

Experienced Promoters:

The promoter of Switchgear Structural (India) Private Limited have over two decades of business experience in the industry. The company has been operational since 1992, prior to which the company was working together with former establishment Switchgear Manufacturing Company Ltd since 1982. The promoters' experience and track record of timely execution of orders have helped secure various contracts for the company.

Holding company operating in a similar line of business :

SSPL is in collaboration with Hapam BV a Netherlands based manufacturer for high voltage based disconnectors and earthing switches. The company is in collaboration with Hapam for Technical cooperation for the production of 420 KV to 765 KV disconnectors and earthing switches in India.

Comfortable capital structure and moderate servicing metrics:

The overall gearing of the company remained low as indicated by the Total Debt to Tangible Net worth ratio of 0.93 times & 0.95 times in FY18 and FY17 respectively. The company has moderate debt servicing metrics in FY17 and FY18.

Credit Weaknesses:

Modest scale of operations and moderate networth level:

The company has modest scale of operations as indicated by the operating income of the company in FY17 amounted to Rs 63.50 Crs as against Rs 50.40 Crs in FY16. The operating income in FY18 (Provisional) is estimated at Rs 53.42 Crs. The company has modest net worth as indicated by its financial profile.

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 **Switchgears Structurals (INDIA) P. 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

Switchgear Structurals India Pvt Ltd was incorporated as Private Limited company in 1992, Prior to which the firm was working together with former establishment Switchgear Manufacturing Company Ltd. The company has been operational for the last 25 years. The company has an integrated facility for manufacturing, designing and testing EHV disconnectors / Isolators and earthing switches. SSPL currently manufactures Isolators/ Disconnectors having capacity 11 KV to 765 KV and electric and current rating upto 4000 AMPS. SSPL is in collaboration with Hapam BV a Netherlands based manufacturer for high voltage based disconnectors and earthing switches. SSPL is promoted by Mr O Surendra Babu, He is the Managing Director of the company. He has over 20 years of industry experience.

Company Financial Performance

The operating income of the company in FY17 amounted to Rs 63.50 Crs as against Rs 50.40 Crs in FY16. The operating income in FY18 (Provisional) is estimated at Rs 53.42 Crs, In FY17 the company's PAT amounted to Rs 1.82 Crs as against Rs 1.07 Crs in FY16. The company estimates an overall profit of Rs 1.16 Crs in FY18. The company has a net profit margin of 2.86% in FY17 and 2.18% in FY 18 (Provisionals.)

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund Based	Long Term	10.75	BWR BB	-	-	-
2	Non Fund Based	Short Term	14.25	BWR A4	-	-	-
	Total		25.00	₹ Twenty Five Crores Only			

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	63.50	46.79
EBITDA	₹ Cr	6.09	4.55
PAT	₹ Cr	1.82	1.07
Tangible Net worth	₹ Cr	13.75	11.93
Total Debt/Tangible Net worth	Times	0.95	1.16
Current Ratio	Times	1.39	1.29

Hyperlink/Reference to applicable Criteria

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

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.