

September 30, 2020

## S.S. Enterprises Electricals: Long-term rating downgraded to [ICRA]B+ (Stable); Short-term rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based- CC	4.00	4.00	[ICRA]B+ (Stable); downgraded from [ICRA]BB- (Stable)
Short-Term – Non-fund based	1.00	1.00	[ICRA]A4; reaffirmed
<b>Total</b>	<b>5.00</b>	<b>5.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating downgrade factors in the weakening of S.S. Enterprises Electricals' (SSEE) financial profile in the recent past, as illustrated by the contraction in its profit margins and cash accruals and expected stretch in cash accruals in FY2021. The ratings also note the leveraged capital structure of SSEE characterized by its low net worth position and high reliance on external borrowings for working capital requirement. The ratings remain constrained by intense competition from other players in the electrical contracting business limiting the pricing flexibility of the entity.

While arriving at the ratings, ICRA continues to derive comfort from the extensive experience of the management in the electrical contracting business for over three decades. The ratings positively factor in the long presence and proven track record of SSEE, which has facilitated in established customer relationship, thereby ensuring repeat orders.

The Stable outlook on the [ICRA]B+ rating reflects ICRA's opinion that the company will continue to benefit from its established position and from the experience of the management in the electrical contracting business.

### Key rating drivers and their description

#### Credit strengths

**Extensive experience of the management** – The firm's CEO, Mr. S. Selvaraju, has an established presence of over three decades in the electrical contracting business. SSEE's extensive presence in the business and the CEO's vast experience has enabled the firm in establishing a strong association with its key customers and suppliers.

**Healthy revenue growth** – The firm's operating income witnessed a 15% YoY growth in FY2020 to Rs. 20.2 crores (as per provisional financials) from Rs. 17.6 crores in FY2019. The firm has grown at a healthy CAGR of 16.2% during the period FY2015 to FY2020. However, the OI for FY2021 is expected to be impacted by the lockdown on account of Covid-19 pandemic. The healthy orders in hand of the entity of around Rs. 10 crore adds revenue visibility for the near term.

#### Credit challenges

**Modest scale of operations** – Despite the healthy growth in operating income in the recent past, the firm's scale of operations remains modest, as characterised by an operating income (OI) of Rs. 20.2 crore in FY2020 (as per provisional financials) restricting the benefits arising from economies of scale. The OI for FY2021 is also expected to be impacted by the lockdown on account of Covid-19 pandemic.

**Operating margins constrained by the limited pricing flexibility of the entity** – The electrical contracting business is characterised by intense competition limiting the pricing flexibility of the entity. The limited pricing flexibility has exerted pressure on the profit margins, with PAT/OI declining to 0.7% in both FY2019 and FY2020 from 3.7% in FY2018.

**Leveraged capital structure and weakening coverage indicators** – SSEE's capital structure is leveraged, owing to its low net worth position and its high reliance on external borrowings for its working capital requirement. The coverage indicators witnessed a decline in FY2019 on account of the decline in margins, with interest coverage ratio declining to 1.2 times in FY2019 from 2.0 times in FY2018.

## Liquidity position: Stretched

SSEE's liquidity position remains **stretched** as characterised by the limited buffer available in its working capital facilities and the minimal cash balances maintained. The average utilisation of its working capital facility remained high at 100% of the sanctioned limits during January 2020 and August 2020.

## Rating sensitivities

**Positive triggers** – ICRA may upgrade the ratings if the company is able to improve its scale of operations while improving its profitability metrics and liquidity position.

**Negative triggers** – Pressure on SSEE's ratings could arise if the company's profitability metrics witness decline resulting in deterioration in its debt coverage indicators and further weakening of liquidity position.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

## About the company

SSEE was established in 2006, with Ms. Amutha Selvaraju as its proprietor. The firm is primarily involved in design and execution of electrical projects of voltage class up to 33 KV. The day-to-day operations are managed by Mr. Selvaraju, its Chief Executive Officer, who has an extensive experience of over thirty-five years in the electrical contracting business.

## Key financial indicators

	FY2018 (Audited)	FY2019 (Audited)	FY2020 (Provisional)
Operating Income (Rs. crore)	16.3	17.6	20.2
PAT (Rs. crore)	0.6	0.1	0.2
OPBDIT/OI (%)	7.6%	4.9%	*
PAT/OI (%)	3.7%	0.7%	0.7%
Total Outside Liabilities/Tangible Net Worth (times)	2.0	2.0	*
Total Debt/OPBDIT (times)	3.5	5.6	*
Interest Coverage (times)	2.0	1.2	*

Source: SSEE; \* - Data not available

### Status of non-cooperation with previous CRA:

CRISIL has revised SSEE's rating to CRISIL B+(Stable)/CRISIL A4 (ISSUER NOT COOPERATING) in June 2020.

### Any other information: None

### Rating history for past three years

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding (as on March 31, 2020)	Rating	FY2020	FY2019	FY2018
					30-Sep-2020			
1	Fund-based – Cash Credit	Long Term	4.00	3.99	[ICRA]B+ (Stable)	-	[ICRA]BB- (Stable)	-
3	Non-fund based	Short Term	1.00	-	[ICRA] A4	-	[ICRA] A4	-

Amount in Rs. crore, Source: SSEE

### Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based – Cash Credit	NA	NA	NA	4.00	[ICRA]B+ (Stable)
NA	Non-fund based	NA	NA	NA	1.00	[ICRA]A4

Source: SSEE

### Annexure-2: List of entities considered for consolidated analysis: Not applicable

## Analyst Contacts

**Ravichandran K**

+91 44 4596 4301

[ravichandran@icraindia.com](mailto:ravichandran@icraindia.com)

**Srinivasan R**

+91 44 4596 4315

[r.srinivasan@icraindia.com](mailto:r.srinivasan@icraindia.com)

**Rathina Pradeep R**

+91 44 4297 4307

[rathina.r@icraindia.com](mailto:rathina.r@icraindia.com)

**Asfar Mohamed H**

+91 44 4297 4313

[asfar.mohamed@icraindia.com](mailto:asfar.mohamed@icraindia.com)

## Relationship Contact

**Jayanta Chatterjee**

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87  
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,  
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,  
Bangalore + (91 80) 2559 7401/4049  
Ahmedabad+ (91 79) 2658 4924/5049/2008  
Hyderabad + (91 40) 2373 5061/7251  
Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2020 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents